

Consolidated Financial Statements of

**Waterloo Catholic
District School Board**

Year ended August 31, 2016



November 28, 2016

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 Audit Committee of the Board meets with Management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to 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.



Loretta Notten
Director of Education



Shesh Maharaj
Chief Financial Officer

Independent auditor's report

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509
www.GrantThornton.ca

To the Board of Trustees of the Waterloo Catholic District School Board

We have audited the accompanying financial statements of the Waterloo Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2016 and the consolidated statements of operations, change in net debt and cash flow for the year 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Waterloo Catholic District School Board as at August 31, 2016 and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

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

Mississauga, Canada
November 28, 2016

Chartered Professional Accountants
Licensed Public Accountants

Waterloo Catholic District School Board

Consolidated Statement of Financial Position

August 31, 2016 with comparative figures for 2015

	2016	2015
Financial assets		
Cash and cash equivalents	\$ 23,034,181	\$ 18,540,779
Accounts receivable (note 2)	11,951,174	10,609,495
Assets held for sale (note 3)	1,593,444	2,247,870
Accounts receivable - Government of Ontario approved capital (note 4)	79,457,208	86,582,836
Total financial assets	116,036,007	117,980,980
Liabilities		
Accounts payable and accrued liabilities	14,666,396	8,519,746
Deferred revenue (note 5)	17,529,427	18,810,563
Deferred capital contributions (note 6)	226,490,019	225,388,951
Retirement and other employee future benefits payable (note 7)	5,364,856	6,171,155
Net debenture debt and capital leases (note 8)	78,807,239	86,198,142
Total liabilities	342,857,937	345,088,557
Net debt	(226,821,930)	(227,107,577)
Non-financial assets		
Prepaid expenses	622,680	589,739
Tangible capital assets (note 10)	253,170,644	252,067,656
Total non-financial assets	253,793,324	252,657,395
Contractual obligations and contingencies (notes 13 and 15)		
Accumulated surplus (note 16)	\$ 26,971,394	\$ 25,549,818

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Loretta Notten, Director of Education



Manuel daSilva, Chair of the Board

Waterloo Catholic District School Board

Consolidated Statement of Operations

August 31, 2016 with comparative figures for 2015

	2016 Budget (Note 19)	2016 Actual	2015 Actual
Revenues			
Provincial grants - grants for student needs	\$ 232,903,697	\$ 239,165,963	\$ 236,882,657
Provincial grants - other	3,828,821	4,686,137	4,757,636
Federal grants and fees	1,333,848	1,321,599	1,308,057
Other fees and revenues	14,080,772	11,785,037	10,459,949
Investment income	60,000	166,681	193,722
School fundraising	5,113,321	5,520,694	5,222,662
Total revenues	257,320,459	262,646,111	258,824,683
Expenses			
Instruction	197,934,692	203,779,338	200,025,854
Administration	6,244,260	7,075,313	6,473,037
Transportation	5,421,312	4,911,631	4,998,960
Pupil accommodation	36,249,428	39,740,449	37,546,473
School funded activities	5,099,564	5,319,829	5,455,207
Other	397,975	397,975	397,975
Total expenses (note 12)	251,347,231	261,224,535	254,897,506
Annual surplus	5,973,228	1,421,576	3,927,177
Accumulated surplus, beginning of year	26,206,660	25,549,818	21,622,641
Accumulated surplus, end of year	\$ 32,179,888	\$ 26,971,394	\$ 25,549,818

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Consolidated Statement of Cash Flows

August 31, 2016 with comparative figures for 2015

	2016	2015
Operating activities		
Annual surplus	\$ 1,421,576	\$ 3,927,177
Sources and (uses):		
Items not involving cash:		
Amortization of tangible capital assets	12,903,425	12,279,737
Grants recognized for deferred capital contributions	(12,903,425)	(12,279,737)
Gain on sale of tangible capital assets	(1,031,851)	(21,839)
Decrease in retirement and other employee future benefits payable	(806,299)	(190,509)
Transfer from deferred revenue to deferred capital contributions	1,330,277	-
	(507,873)	(212,348)
Changes in non-cash assets and liabilities:		
Decrease in accounts receivable	5,783,948	11,897,977
Increase (decrease) in accounts payable and accrued liabilities	6,146,650	(1,947,228)
Decrease in deferred revenue	(700,348)	(1,078,145)
Decrease (increase) in assets held for sale	654,427	(327,382)
(Increase) decrease in prepaid expenses	(32,941)	53,748
	11,851,736	8,598,970
Cash provided by operating activities	12,765,439	12,313,799
Capital activities		
Proceeds on sale of tangible capital assets	1,727,229	17,951
Cash used to acquire tangible capital assets	(14,701,791)	(9,967,070)
Cash applied to capital activities	(12,974,562)	(9,949,119)
Financing activities		
Capital grants received	12,674,216	8,457,643
(Increase) decrease in deferred revenue - capital	(580,788)	2,344,907
Debt repaid and sinking fund contributions	(7,390,903)	(8,067,201)
Cash provided by financing activities	4,702,525	2,735,349
Change in cash and cash equivalents	4,493,402	5,100,029
Cash and cash equivalents, beginning of year	18,540,779	13,440,750
Cash and cash equivalents, end of year	\$ 23,034,181	\$ 18,540,779

	2016	2015
The components of cash and cash equivalents are as follows:		
Cash	\$ 22,886,961	\$ 18,415,382
Cash equivalents	147,220	125,397
	\$ 23,034,181	\$ 18,540,779

	2016	2015
Cash paid for interest	\$ 4,503,907	\$ 4,892,907
Cash received for interest	166,681	193,722

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Consolidated Statement of Changes in Net Debt

August 31, 2016 with comparative figures for 2015

	2016 Budget	2016 Actual	2015 Actual
Annual surplus	\$ 5,973,228	\$ 1,421,576	\$ 3,927,177
Tangible capital asset activity			
Acquisition of tangible capital assets	(27,079,148)	(14,701,791)	(9,967,070)
Amortization of tangible capital assets	12,594,485	12,903,425	12,279,737
Gain on sale of tangible capital assets	-	(1,031,851)	(21,839)
Proceeds on sale of tangible capital assets	-	1,727,229	17,951
Total tangible capital asset activity	(14,484,663)	(1,102,988)	2,308,779
Other non-financial asset activity			
Acquisition of prepaid expenses	(622,680)	(622,680)	(589,739)
Use of prepaid expenses	622,680	589,739	643,487
Total other non-financial asset activity	-	(32,941)	53,748
Decrease in net debt	(8,511,435)	285,647	6,289,704
Net debt, beginning of year	(227,107,577)	(227,107,577)	(233,397,281)
Net debt, end of year	\$ (235,619,012)	\$ (226,821,930)	\$ (227,107,577)

See accompanying notes to consolidated financial statements.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements

Year ended August 31, 2016

As disciples of Christ, the mission of the Waterloo Catholic District School Board (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 Ontario Regulation 395/11 of the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2.

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 (PSAB). Canadian public sector accounting standards require that:

- government transfers, which contain a stipulation that creates a liability, are deferred and recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Canadian 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 Canadian Public Sector Accounting Standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with Canadian Public Sector Accounting Standard PS3510.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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 bank balances.

(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 contributions (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, 2016

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 the Ontario Municipal Employees Retirement System (OMERS), a multi-employer defined pension plan benefit, 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, 2016

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, 2016

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 (note 1(a)) 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, 2016

1. Significant accounting policies (continued):

(m) Property tax revenue:

Under PSAB, the entity that determines and sets the tax levy records the revenue in the financial statements. In the case of the Board, this is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as Provincial Grants.

2. Accounts receivable:

Accounts receivable consists of the following:

	2016	2015
Province of Ontario	\$ 6,260,298	\$ 6,100,583
Other	5,690,876	4,508,912
	\$ 11,951,174	\$ 10,609,495

3. Assets held for sale:

As of August 31, 2016, \$1,593,444 (2015 - \$2,247,870) related to land, land improvements and buildings were recorded as assets held for sale.

	Balance at August 31, 2015	Additions	Transfer to assets	Gain on sale transferred to deferred revenue	Balance at August 31, 2016
Land	\$ 21,827	\$ -	\$ -	\$ -	\$ 21,827
Building	2,226,043	40,952	-	695,378	1,571,617
	\$ 2,247,870	\$ 40,952	\$ -	\$ 695,378	\$ 1,593,444

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

4. Accounts receivable - Government of Ontario approved capital:

The Province of Ontario 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 a receivable balance from the Province of Ontario of \$79,457,208 as at August 31, 2016 (2015 - \$86,582,836) with respect to capital grants.

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, 2016, is comprised of:

	Balance at August 31, 2015	Externally restricted revenue and interest	Revenue recognized	Transferred to DCC	Balance at August 31, 2016
Proceeds of disposition	\$ 6,666,530	\$ 2,355,074	\$ -	\$ -	\$ 9,021,604
School renewal	-	3,387,799	433,936	2,326,808	627,055
School condition improvement	3,458,216	-	-	2,831,858	626,358
Child care retrofit	300,722	-	-	222,079	78,642
Special education accommodation	59,133	-	-	-	59,133
Special education equipment	163,902	767,805	803,132	-	128,575
Asset held for sale	2,219,784	-	648,168	-	1,571,617
Labour framework	1,243,683	-	52,738	-	1,190,945
Extra programming other grants	4,698,593	3,221,393	3,694,488	-	4,225,498
	\$ 18,810,563	\$ 9,732,071	\$ 5,632,462	\$5,380,745	\$ 17,529,427

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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.

	2016	2015
Deferred capital contributions, beginning of year	\$ 225,388,951	\$ 229,211,045
Add:		
Capital contributions received	8,702,801	7,444,318
Transfers from deferred revenue	5,380,745	3,261,195
Less:		
Revenue recognized in the year	(12,903,425)	(12,279,737)
Disposal and reclassification of tangible capital assets	(79,053)	(2,247,870)
Deferred capital contributions, end of year	\$ 226,490,019	\$ 225,388,951

7. Retirement and other employee future benefits:

Retirement and other employee future benefits as of August 31, 2016 were as follows:

(a) Employee future benefits liabilities:

	2016		2015	
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	\$ 2,126,629	\$ 3,446,082	\$ 5,572,711	\$ 6,298,253
Unamortized actuarial gain	(227,271)	19,416	(207,855)	(127,098)
Employee future benefits liabilities	\$ 1,899,358	\$ 3,465,498	\$ 5,364,856	\$ 6,171,155

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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

(b) Employee future benefits expenses:

				2016		2015	
Retirement and other employee future benefit liabilities		Retirement benefits	Other employee future benefits	Total employee future benefits			
Current year benefit cost	\$	-	\$ 434,963	\$ 434,963	\$	755,057	
Voluntary early payout		(88,414)	-	(88,414)		-	
Recognized actuarial loss		12,459	22,476	34,935		14,394	
Interest on accrued benefit obligation		61,919	80,035	141,954		170,820	
Employee future benefit expenses (recovery)	\$	(14,036)	\$ 537,474	\$ 523,438	\$	940,271	

Actuarial losses are due to the change in the discount rate used for the retirement gratuity benefits are being amortized over Expected Average Remaining Service Life (EARSL) of 8.72 years. During the year, benefit payments of \$1,344,325 (2015 - \$1,159,499) were made.

Retirement life insurance and health care benefits have been grand-parented for existing retirees and employees who retired on or before August 31, 2013. Effective September 1, 2013, any new retiree accessing retirement life Insurance and health care benefits pays 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.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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

(ii) Ontario Municipal Employees Retirement System:

Most support staff 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. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2015. The results of this valuation disclosed total actuarial liabilities of \$81.9 billion with respect to benefits accrued for service with actuarial assets at that date of \$72.0 billion indicating an actuarial deficit of \$7.0 billion. Because OMERS is a multi-employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Board does not recognize any share of the Plan surplus or deficit. Board contributions equal employee contributions to the plan. During the year ended August 31, 2016, the Board contributed \$3,599,015 (2015 - \$3,586,898) 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 plan is included in the Board's consolidated financial statements.

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 or more 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.

During 2015-2016, Ontario English Catholic Teachers' Association (OECTA), Canadian Union of Public Employees (CUPE), Education Workers' Alliance of Ontario (EWAO) ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided members the option of receiving a discounted frozen

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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

retirement gratuity benefit payment by August 31, 2016 or the first pay period in September 2016. This provision was also made available to all non-unionized school board employees, including principals and vice-principals. These payments were made by August 31, 2016.

Some employees took the early payouts, which were discounted from the current financial statement carrying values. As a result, the reduction in the liability for those members who took the voluntary retirement gratuity early payout option was accompanied by actuarial loss in the board's 2015-2016 year financial statements. This resulted in the board's employee future benefit liability decreasing by \$88,414.

(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, if the employee retired prior to August 31, 2013. Employees that retired post August 31, 2013 pay 100% of the premiums at the health care providers' unsubsidized rate. 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.

(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 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

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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

and disability plan in that year. The benefit costs expensed in the financial statements are \$86,339 (2015 - \$149,838).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2016. 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 may be 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.

(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 may be subsidized by the Board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements.

(vi) Benefit plan future changes

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) will be established in 2016-2017 for the following employee groups: OECTA, CUPE, EWAO, non-unionized employees including principals and vice-principals. The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting September 2017, the Board will no longer be responsible to provide benefits to the above mentioned groups. The Board will transfer to the ELHTs an amount per full-time equivalency based on the 2014-2015 actual benefit costs + 8.16% representing inflationary increases for 2015-2016 and 2016-2017. In addition, the Ministry of Education will provide an additional \$300 per FTE for active employees to the school board. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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

Actuarial assumptions:

The accrued benefit obligations for retirement and other employee future benefit plans as at August 31, 2016 are based on actuarial valuations for accounting purposes as at August 31, 2016. The next actuarial valuation will be available for the year ended August 31, 2019. 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:

	2016	2015
Inflation	1.50%	2.00%
Wage escalation	0.00%	0.00%
Dental insurance premium escalation (thereafter down linearly by 0.25% per annum until 3.0% is reached)	4.00%	4.50%
Health insurance premium escalation (thereafter down linearly by 0.25% per annum until 4.0% is reached)	8.00%	8.50%
Discount on accrued benefit obligations	2.05%	2.45%

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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:

	2016	2015
CIBC Mellon, interest rate of 7.2%, matures June 9, 2025	\$ 2,173,494	\$ 2,340,257
CIBC Mellon, interest rate of 6.55%, matures October 19, 2026	23,510,563	25,027,433
Region of Waterloo, interest rate of 5.487%, matures November 5, 2023	12,362,307	13,663,078
Ontario Financing Authority, interest rate of 4.560%, matures November 15, 2031	4,081,107	4,258,989
Ontario Financing Authority, interest rate of 4.850%, matures March 3, 2033	1,336,324	1,386,649
Ontario Financing Authority, interest rate of 5.062%, matures March 13, 2034	1,552,918	1,605,593
Ontario Financing Authority, interest rate of 4.762%, matures November 15, 2029	6,035,809	6,348,404
Ontario Financing Authority, interest rate of 5.232%, matures April 13, 2035	1,399,457	1,442,013
Ontario Financing Authority, interest rate of 3.942%, matures September 19, 2025	2,157,936	2,345,534
Ontario Financing Authority, interest rate of 4.833%, matures March 11, 2036	3,405,915	3,506,645
Ontario Financing Authority, interest rate of 2.425%, matures November 15, 2021	5,755,465	6,722,379
Ontario Financing Authority, interest rate of 3.564%, matures March 9, 2037	3,005,298	3,101,355
Ontario Financing Authority, interest rate of 3.799%, matures March 19, 2038	8,571,049	8,819,367
Capital lease obligation #1 (a)	1,778,944	3,423,834
Capital lease obligation #2 (b)	1,680,653	2,024,783
Capital lease obligation #3 (c)	-	181,829
Balance as at August 31	\$ 78,807,239	\$ 86,198,142

- (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 14.714%. 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%. The Board exercised the option for early buyout during the year.

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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

Principal and interest payments relating to net debenture debt and capital leases of \$78,807,239 are due as follows:

	Principal	Capital lease payments	Interest	Total
2016/17	\$ 5,485,293	\$ 2,121,243	\$ 4,128,488	\$ 11,735,024
2017/18	5,765,264	396,203	3,717,970	9,879,437
2018/19	6,060,832	458,596	3,360,010	9,879,438
2019/20	6,372,915	483,555	2,975,076	9,831,546
2020/21	6,702,487	-	2,602,247	9,304,734
Thereafter	44,960,850	-	11,281,407	56,242,257
	\$ 75,347,641	\$ 3,459,597	\$ 28,065,198	\$ 106,872,436

Interest on long-term debt amounted to \$4,576,459 (2015 - \$5,015,380).

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:

	2016	2015
Principal payments on net debenture debt including contributions to sinking funds	\$ 5,220,055	\$ 5,969,733
Principal payments on capital leases	2,170,848	2,097,468
Payments on operating leases	101,903	96,479
Interest payments on net debenture debt	4,084,678	4,434,848
Interest payments on capital leases	491,781	580,532
	\$ 12,069,265	\$ 13,179,060

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

10. Tangible capital assets:

Cost	Balance at August 31, 2015	Additions and transfers	Disposals and transfers	Balance at August 31, 2016
Land	\$ 26,678,711	\$ 1,917	\$ -	\$ 26,680,628
Land improvements	2,380,912	139,876	-	2,520,788
Buildings	283,444,070	11,360,631	-	294,804,701
Portable structures	9,937,588	-	-	9,937,588
First-time equipping	3,894,849	11,508	-	3,906,357
Equipment – 5 years	301,194	282,133	-	583,327
Equipment – 10 years	6,499,895	71,638	-	6,571,533
Equipment – 15 years	21,379	-	-	21,379
Furniture	90,512	194,942	-	285,454
Computer hardware	4,175,059	1,349,892	-	5,524,951
Computer software	294,749	30,563	-	325,312
Vehicles	756,714	170,114	-	926,828
Leasehold improvements	9,825,224	444,805	-	10,270,029
Construction in progress	9,041	-	-	9,041
Leased buildings	28,436,520	-	51,606	28,384,914
Leased computers	3,815,434	-	-	3,815,434
Leased vehicles	204,487	-	-	204,487
	\$ 380,766,338	\$ 14,058,019	\$ 51,606	\$ 394,772,751

Accumulated Amortization	Balance at August 31, 2015	Additions and transfers	Disposals and transfers	Balance at August 31, 2016
Land improvements	\$ 800,174	\$ 178,137	\$ -	\$ 978,311
Buildings	90,772,909	9,161,222	-	99,934,131
Portable structures	7,749,946	432,903	-	8,182,849
First-time equipping	2,633,974	174,844	-	2,808,818
Equipment – 5 years	212,266	62,238	-	274,504
Equipment – 10 years	3,171,423	621,712	-	3,793,135
Equipment – 15 years	5,815	1,425	-	7,240
Furniture	13,355	18,798	-	32,153
Computer hardware	2,162,113	685,173	-	2,847,286
Computer software	213,329	34,147	-	247,476
Vehicles	631,947	61,503	-	693,450
Leasehold improvements	3,428,396	432,507	-	3,860,903
Leased buildings	13,275,605	788,430	-	14,064,035
Leased computers	3,422,943	250,386	-	3,673,329
Leased vehicles	204,487	-	-	204,487
	\$ 128,698,682	\$ 12,903,425	\$ -	\$ 141,602,107

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

10. Tangible capital assets (continued):

Net Book Value	Balance at August 31, 2015	Balance at August 31, 2016	Change
Land	\$ 26,678,711	\$ 26,680,628	\$ 1,917
Land improvements	1,580,738	1,542,477	(38,261)
Buildings	192,671,161	194,870,570	2,199,409
Portable structures	2,187,642	1,754,739	(432,903)
First-time equipping	1,260,875	1,097,539	(163,336)
Equipment – 5 years	88,928	308,823	219,895
Equipment – 10 years	3,328,472	2,778,398	(550,074)
Equipment – 15 years	15,564	14,139	(1,425)
Furniture	77,157	253,301	176,144
Computer hardware	2,012,946	2,677,665	664,719
Computer software	81,420	77,836	(3,584)
Vehicles	124,767	233,378	108,611
Leasehold improvements	6,396,828	6,409,126	12,298
Construction in progress	9,041	9,041	-
Leased buildings	15,160,915	14,320,879	(840,036)
Leased computers	392,491	142,105	(250,386)
Leased vehicles	-	-	-
	\$ 252,067,656	\$ 253,170,644	\$ 1,102,988

Assets under construction having a value of \$9,041 (2015 - 9,041) 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, 2016 were \$12,903,425 (2015 - \$12,279,737) and the amortization of tangible capital assets was \$12,903,425 (2015 - \$12,279,737).

11. Temporary borrowing:

The Board has lines of credits available to a 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, 2016

12. Expenses by object:

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

	2016 Budget	2016 Actual	2015 Actual
Current expenditures:			
Salaries and wages	\$ 176,636,431	\$ 181,967,906	\$ 178,159,661
Employee benefits	23,366,337	26,317,236	25,716,929
Staff development	658,668	916,891	726,675
Supplies and services	15,708,078	17,739,345	14,675,592
Debt charges and interest	4,537,919	4,527,181	4,876,713
Rental expenditures	157,000	101,903	96,479
Fees and contract services	12,594,485	10,885,119	12,410,210
Other	493,926	545,700	500,100
School funded activities	5,099,564	5,319,829	5,455,207
Amortization and loss on disposals	12,094,823	12,903,425	12,279,940
	\$ 251,347,231	\$ 261,224,535	\$ 254,897,506

13. Contractual obligations:

At August 31, 2016, the Board is committed to the following contracts for construction:

Resurrection Catholic Secondary School	\$ 3,168,965
St. Aloysius Catholic Elementary School	1,473,387
St. Anne (C) Catholic Elementary School	197,811
St. Benedict Catholic Secondary School	745,662
St. Gregory Catholic Elementary School	252,540
St. Patrick (K) Catholic Elementary School	198,059
Our Lady of Lourdes Catholic Elementary School	563,850
St. Mary Catholic Secondary School	101,660
Other contractual obligations	626,053
	\$ 7,327,987

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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 2011 to June 2016 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 not provisioned for any 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. With respect to any outstanding claims, the Board believes it has valid defenses. While the outcome of these matters are not known at this time and based on the nature of the matters, management has recorded an estimate for a potential liability in the financial statements.

16. Accumulated surplus:

At August 31, accumulated surplus consists of the following:

	2016	2015
Surplus:		
Invested in land	\$ 26,663,570	\$ 26,530,142
Employee future benefits payable	(4,487,801)	(5,034,707)
Interest payable	(1,289,326)	(1,382,096)
Amounts restricted for future use:		
School generated funds	1,375,835	1,174,968
Committed capital	463,809	556,570
Other internally restricted reserves	4,245,307	3,704,941
	<hr/> \$ 26,971,394	<hr/> \$ 25,549,818

Waterloo Catholic District School Board

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2016

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, 2016, the Board has proportionally consolidated 33.0% (2015 – 31.9%) 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:

	2016	2015
Financial position:		
Financial assets	\$ 209,714	\$ 367,444
Financial liabilities	215,942	375,500
Non-financial assets	6,228	8,056
Accumulated surplus	\$ -	\$ -
Operations:		
Revenues	\$ 19,672,868	\$ 19,616,890
Expenses	19,672,868	19,616,890
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.

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, 2016

19. Budget reconciliation

The budget approved by the Board on June 22, 2015 was not prepared on a Canadian 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 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:

	2016
Budgeted annual surplus	\$ -
Add:	
Revenue recognized for land	5,299,067
Other amounts not available for compliance	674,161
<hr/> Budgeted surplus per statement of operations	<hr/> \$ 5,973,228