

**Peterborough Victoria
Northumberland and Clarington
Catholic District School Board
Consolidated Financial Statements
For the year ended August 31, 2016**

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements


The accompanying consolidated financial statements of the Peterborough Victoria Northumberland and Clarington Catholic District School Board are the responsibility of management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in Note 1(a) to the consolidated financial statements.

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

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.

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

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



Director of Education / Secretary Treasurer



Superintendent of Business and Finance

November 22, 2016



Independent Auditor's Report

To the Board of Trustees of the
Peterborough Victoria Northumberland and Clarington
Catholic District School Board

We have audited the accompanying consolidated financial statements of Peterborough Victoria Northumberland and Clarington Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of operations, changes in net debt and cash flow for the year then ended along with a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 1(a) 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 our 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, we considered 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 Peterborough Victoria Northumberland and Clarington Catholic District School Board for the year ended August 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

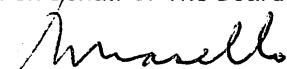
Peterborough, Ontario
November 22, 2016

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Consolidated Statement of Financial Position

August 31	2015/2016	2014/2015
Financial Assets		
Cash	\$ 24,513,614	\$ 24,902,383
Accounts receivable		
Local government	2,934,919	2,814,742
Other	1,458,180	2,226,398
Government of Ontario - Approved Capital (Note 2)	<u>55,085,045</u>	<u>60,315,768</u>
	<u>83,991,758</u>	<u>90,259,291</u>
Financial Liabilities		
Accounts payable and accrued liabilities	8,153,471	8,482,426
Net long-term debt (Note 6)	55,085,045	59,578,489
Deferred revenue (Note 3)	4,348,521	5,463,307
Deferred capital contributions (Note 4)	177,333,917	181,360,437
Employee future benefits liability (Note 5)	<u>18,991,352</u>	<u>20,689,258</u>
	<u>263,912,306</u>	<u>275,573,917</u>
Net Debt	<u>(179,920,548)</u>	<u>(185,314,626)</u>
Non-Financial Assets		
Prepaid expenses	849,751	1,215,736
Tangible capital assets (Note 11)	<u>196,596,626</u>	<u>200,325,133</u>
	<u>197,446,377</u>	<u>201,540,869</u>
Accumulated Surplus (Note 12)	<u>\$ 17,525,829</u>	<u>\$ 16,226,243</u>

Signed on Behalf of The Board



Director of Education / Secretary Treasurer



Chair of School Board

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

**Peterborough Victoria Northumberland and Clarington Catholic
District School Board**

Consolidated Statement of Operations

For the year ended August 31	Budget 2015/2016	Actual 2015/2016	Actual 2014/2015
Revenues			
Provincial legislative grants	\$ 159,674,120	\$ 163,366,906	\$ 160,804,165
Provincial grants - other	1,734,184	2,108,831	1,838,023
Federal grants and fees	316,597	239,503	278,644
Investment income	210,000	272,538	280,770
Other fees and revenues	946,608	1,879,491	1,733,038
School generated funds	3,870,168	4,236,247	4,065,672
Amortization of deferred capital contributions	8,578,295	8,482,397	8,377,033
	<u>175,329,972</u>	<u>180,585,913</u>	<u>177,377,345</u>
Expenses			
Instruction	130,869,572	134,925,930	131,568,262
Administration	4,836,568	4,833,290	5,067,523
Transportation	10,077,022	9,906,277	9,955,642
Pupil accommodation	24,874,361	25,352,237	25,547,546
Other	-	107,688	-
School generated funds	3,870,168	4,160,905	4,103,028
	<u>174,527,691</u>	<u>179,286,327</u>	<u>176,242,001</u>
Annual surplus	802,281	1,299,586	1,135,344
Accumulated surplus, beginning of year	<u>15,810,481</u>	<u>16,226,243</u>	<u>15,090,899</u>
Accumulated surplus, end of year	<u>\$ 16,612,762</u>	<u>\$ 17,525,829</u>	<u>\$ 16,226,243</u>

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

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Consolidated Statement of Cash Flows

For the year ended August 31	2015/2016	2014/2015
Operations		
Annual surplus	\$ 1,299,586	\$ 1,135,344
Sources and (Uses)		
Change in non-cash items:		
Amortization of tangible capital assets	8,649,430	8,532,064
Amortization of deferred capital contributions	(8,482,400)	(8,377,033)
Gain on sale of tangible capital assets	-	(1,042)
Write down of tangible capital assets	10,676	-
	1,477,292	1,289,333
Change in:		
Accounts receivable	648,041	28,623
Accounts payable and accrued liabilities	(328,955)	164,071
Deferred revenues - operating	162,373	(363,804)
Employee future benefits liability	(1,697,906)	266,366
Prepaid expenses	365,985	(922,854)
Cash provided by (applied to) operating transactions	626,830	461,735
Capital Transactions		
Proceeds on sale of tangible capital assets	-	1,042
Cash used to acquire tangible capital assets	(4,931,599)	(5,411,556)
	(4,931,599)	(5,410,514)
Financing Transactions		
Debt repayments	(4,493,445)	(2,797,564)
Government of Ontario - approved capital	5,230,724	5,835,867
Additions to deferred capital contributions	4,455,880	5,002,880
Decrease in deferred revenues - capital	(1,277,159)	1,209,551
	3,916,000	9,250,734
Increase (decrease) in cash and equivalents during the year	(388,769)	4,301,955
Cash and equivalents, beginning of year	24,902,383	20,600,428
Cash and equivalents, end of year	\$ 24,513,614	\$ 24,902,383

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

**Peterborough Victoria Northumberland and Clarington Catholic
District School Board**

Consolidated Statement of Change in Net Debt

For the year ended August 31	Actual 2015/2016	Actual 2014/2015
Annual Surplus	\$ 1,299,586	\$ 1,135,344
Tangible Capital Asset Activity		
Acquisition of tangible capital assets	(4,931,599)	(5,411,556)
Amortization of tangible capital assets	8,649,430	8,532,064
Gain/loss on sale tangible capital assets	-	(1,042)
Proceeds on sale of tangible capital assets	-	1,042
Write-downs of tangible capital assets	10,676	-
	3,728,507	3,120,508
Other Non-Financial Asset Activity		
Acquisition of prepaid expenses	(849,751)	(1,215,736)
Use of prepaid expenses	1,215,736	292,882
	365,985	(922,854)
Change in net debt	5,394,078	3,332,998
Net Debt at beginning of year	(185,314,626)	(188,647,624)
Net Debt at end of year	\$ (179,920,548)	\$ (185,314,626)

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

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

1. Significant Accounting Policies

The consolidated financial statements are 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 significantly different from the requirements of Canadian public sector accounting standards which 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.

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

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

1. Significant Accounting Policies - continued

(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 School Board and which are controlled by the School Board. The following entities are reflected in the statements:

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the School Board.

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(c) Trust Funds

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

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

(e) 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 expenses are incurred or services performed.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

1. Significant Accounting Policies - continued

(f) Deferred Capital Contributions

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

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(g) Retirement and Other Employee Future Benefits

The School Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, dental benefits, retirement gratuity, worker's compensation and life insurance and health care benefits for those on disability leave. The School 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 & health care cost trends, disability recovery rates, long-term inflation rates and discount rates. 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. 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 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.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

1. Significant Accounting Policies - continued

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, 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.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(h) 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.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

1. Significant Accounting Policies - continued

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
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10
Leasehold improvements	Over the lease term

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is put into service.

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

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

(i) 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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

1. Significant Accounting Policies - continued

(j) Investment Income

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

(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 described in note 1(a) 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. The principal estimates used in the preparation of these financial statements are the determination of the liability for post-retirement benefits and the estimated useful life of tangible capital assets. Actual results could differ from these estimates, as additional information becomes available in the future.

(m) Property Tax Revenue

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

**Peterborough Victoria Northumberland and Clarington Catholic
District School Board**

Notes to Consolidated Financial Statements

August 31, 2016

2. Accounts Receivable - Government of Ontario

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009/2010. Peterborough Victoria Northumberland and Clarington Catholic District School Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The School Board receives this grant in cash over the remaining term of the existing capital debt instruments. The School Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The School Board has an account receivable from the Province of Ontario of \$55,085,045 as at August 31, 2016 (2015 - \$60,315,768) with respect to capital grants.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

3. Deferred Revenue

Revenues received and that have been set-aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2016 is comprised of:

	Balance as at August 31 2015	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2016
Capital					
School Renewal	\$ 1,374,929	\$ 2,093,334	\$ 253,545	\$ 1,072,267	\$ 2,142,451
School Condition Improvement	3,122,280	-	-	2,438,586	683,694
Minor Tangible Capital Assets	-	4,018,735	3,175,940	842,795	-
Proceeds of Disposition	476,611	-	-	-	476,611
Education Development Charges	151	685,410	291,505	-	394,056
Retrofit for Child Care	183,851	-	-	-	183,851
Temporary Accommodation	-	55,000	-	55,000	-
Interest on Capital	-	3,326,536	3,326,536	-	-
Other	-	47,233	-	47,233	-
	5,157,822	10,226,248	7,047,526	4,455,881	3,880,663
Operating					
Special Education	165,520	21,810,910	21,710,161	-	266,269
Student Achievement	51,200	1,062,245	1,000,194	-	113,251
Other	88,765	2,604,907	2,605,334	-	88,338
	305,485	25,478,062	25,315,689	-	467,858
Total Deferred Revenue	\$ 5,463,307	\$ 35,704,310	\$ 32,363,215	\$ 4,455,881	\$ 4,348,521

**Peterborough Victoria Northumberland and Clarington Catholic
District School Board**

Notes to Consolidated Financial Statements

August 31, 2016

4. Deferred Capital Contributions

Deferred capital contributions (DCC) 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.

	<u>2015/2016</u>	<u>2014/2015</u>
Balance, beginning of year	\$ 181,360,437	\$ 184,734,590
Additions to deferred capital contributions	4,455,880	5,002,880
Revenue recognized in the period	<u>(8,482,400)</u>	<u>(8,377,033)</u>
Balance, end of year	<u>\$ 177,333,917</u>	<u>\$ 181,360,437</u>

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

5. Retirement and Other Employee Future Benefits

Liability				2015/2016	2014/2015
	Retirement Gratuities	Retirement Benefits	Other Employee Future Benefits	Total	Total
Accrued employee benefit obligations at August 31	\$ 15,143,024	\$ 1,471,466	\$ 4,775,520	\$21,390,010	\$ 22,094,678
Unamortized actuarial gains (losses) at August 31	(2,398,658)	-	-	(2,398,658)	(1,405,420)
Employee future benefits liability at August 31	\$ 12,744,366	\$ 1,471,466	\$ 4,775,520	\$18,991,352	\$ 20,689,258
Change in Liability				2015/2016	2014/2015
	Retirement Gratuities	Retirement Benefits	Other Employee Future Benefits	Total	Total
Current year benefit cost	\$ 69,223	\$ -	\$ 806,561	\$ 875,784	\$ 423,410
Interest on accrued benefit obligation	368,757	40,805	110,039	519,601	615,334
Amortization of actuarial (gains)/losses	159,752	10,486	(734)	169,504	1,243,751
Benefit payments ¹	(1,945,895)	(490,702)	(612,671)	(3,049,268)	(2,016,129)
Gain on plan amendments	(213,527)	-	-	(213,527)	-
Net change	\$ (1,561,690)	\$ (439,411)	\$ 303,195	\$(1,697,906)	\$ 266,366

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

**Peterborough Victoria Northumberland and Clarington Catholic
District School Board**

Notes to Consolidated Financial Statements

August 31, 2016

5. Retirement and Other Employee Future Benefits - continued

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on actuarial valuations for accounting purposes as at August 31, 2015 and based on updated average daily salary and banked sick days as at August 31, 2016. The economic assumptions used in these valuations are the School Board's best estimates of expected rates of:

	<u>2015/2016</u>	<u>2014/2015</u>
Inflation	1.5%	1.5%
Wage and salary escalation	n/a	n/a
Insurance and health care cost escalation	4.25 - 8.25%	4.5 - 8.5%
Discount on accrued benefit obligations	2.05%	2.45%

Retirement Benefits

(i) Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the School Board's consolidated financial statements.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

5. Retirement and Other Employee Future Benefits - continued

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. OMERS provides pension services to more than 461,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of the 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 \$81,924 million in respect of benefits accrued for service with actuarial assets at that date of \$74,947 million indicating an actuarial deficit of \$6,977 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. During the year ended August 31, 2016, the Board contributed \$2,264,998 (2015 - \$2,201,670) to the plan.

(iii) Retirement Gratuities

The School Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The School Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the School Board's consolidated financial statements. As of August 31, 2016 the Board has restricted a portion of its accumulated surplus for retirement gratuities amounting to \$2,179,450 (2015 - \$2,490,800).

1. Voluntary Retirement Gratuity Early Payout Provision

During 2015-16, OECTA and CUPE ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided OECTA and CUPE members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 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.

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

August 31, 2016

5. Retirement and Other Employee Future Benefits - continued

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 an actuarial gain in the board's 2015-16 year financial statements. This also resulted in the school board's employee future benefit liability decreasing by \$864,234.

(iv) Retirement Life Insurance and Health Care Benefits

The School Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the School Board experience and retirees' premiums may be subsidized by the School Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the School Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for School Board subsidized premiums or contributions.

Other Employee Future Benefits

(i) Workplace Safety and Insurance Board Obligations

The School 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 School 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 School Board's consolidated financial statements. Plan changes made in 2012 require 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 such provision. As at August 31, 2016 the liability included in employee future benefits for this obligation is \$552,142 and the Board has restricted a portion of its accumulated surplus for WSIB obligations amounting to \$746,379 (2015 - \$746,379).

Peterborough Victoria Northumberland and Clarington Catholic District School Board

Notes to Consolidated Financial Statements

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5. Retirement and Other Employee Future Benefits - continued

(ii) Long-term Disability Life Insurance and Health Care Benefits

The School Board provides life insurance, dental and health care benefits to employees on long-term disability leave. The School Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The School Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(iii) Sick Leave Top-Up Benefits

A maximum of eleven unused sick 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 \$78,584 (2015 - \$72,799).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2015 and is based on the average daily salary and banked sick days of employees as at August 31, 2016.

Benefit Plan Future Changes

Currently, the School 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 2016-17 for the following employee groups: OECTA, CUPE and 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 from the transition date, in the 16-17 school year, the School Board will no longer be responsible to provide benefits to the above mentioned groups. The School Board will transfer to the ELHTs an amount per full-time equivalency based on the 2014-15 actual benefit costs + 8.16% representing inflationary increases for 2015-16 and 2016-17. 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.

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Notes to Consolidated Financial Statements

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6. Net Long-Term Debt

Net long-term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	<u>2015/2016</u>	<u>2014/2015</u>
Debenture payable - Bylaw #117 - for permanent improvements, 7.342% per annum, repayable \$292,226 per month principal and interest, due July 2026, redeemable in whole but not in part of the principal amount outstanding, at the option of the School Board on any date prior to July 2026	\$ 24,649,887	\$ 26,281,210
Bank term installment loan, for permanent improvements, 5.15% per annum, repayable \$70,837 per month principal and interest, due January 2017	6,841,788	8,964,618
Ontario Finance Authority term installment loans, for permanent improvements, 3.564% - 5.232% per annum, repayable \$885,762 semi-annually principal and interest, due November 2031 - March 2039	<u>23,593,370</u>	<u>24,332,661</u>
	<u>\$ 55,085,045</u>	<u>\$ 59,578,489</u>

Payments relating to net long-term debt outstanding as at August 31, 2016 are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016/2017	\$ 9,368,262	\$ 2,868,149	\$ 12,236,411
2018/2019	2,693,151	2,585,093	5,278,244
2019/2020	2,871,423	2,406,821	5,278,244
2020/2021	3,062,125	2,216,118	5,278,243
2021/2022	3,266,154	2,012,090	5,278,244
Thereafter	<u>33,823,930</u>	<u>9,889,517</u>	<u>43,713,447</u>
	<u>\$ 55,085,045</u>	<u>\$ 21,977,788</u>	<u>\$ 77,062,833</u>

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Notes to Consolidated Financial Statements

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7. Debt Charges and Capital Loan Interest

	<u>2015/2016</u>	<u>2014/2015</u>
Principal payments on long-term liabilities	\$ 4,493,445	\$ 2,797,562
Interest payments on long-term liabilities	<u>3,303,766</u>	<u>3,516,871</u>
	<u>\$ 7,797,211</u>	<u>\$ 6,314,433</u>

8. Temporary Borrowings

The School Board has an authorized line of credit of \$10,000,000 which bears interest at prime. As at August 31, 2016 the School Board had not drawn on this credit facility.

9. Ontario School Board Insurance Exchange (OSBIE)

The School 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 \$24,000,000 per occurrence.

The ultimate premiums over a five year period are based on the reciprocal's and the School Board's actual claims experience. Periodically, the School Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2016.

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Notes to Consolidated Financial Statements

August 31, 2016

10. Expenses by Object

The following is a summary of the expenses reported on the Consolidated Statement of Operations by object:

	Budget 2015/2016	Actual 2015/2016	Actual 2014/2015
Expenses			
Salaries and wages	\$ 116,403,538	\$ 120,030,090	\$ 116,749,948
Employee benefits	19,577,368	20,119,391	19,949,886
Staff development	602,368	528,370	588,172
Supplies and services	12,960,460	13,406,731	13,826,144
Interest	3,303,766	3,303,766	3,516,871
Rental	74,643	78,547	94,206
Fees and contract services	12,698,652	12,865,729	12,831,174
Other	175,129	293,595	153,107
Amortization of tangible capital assets	8,731,767	8,660,108	8,532,493
	<u>\$ 174,527,691</u>	<u>\$ 179,286,327</u>	<u>\$ 176,242,001</u>

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Notes to Consolidated Financial Statements

August 31, 2016

11. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	Net Book Value
	Opening	Additions/ Transfers	Disposals	Closing	Opening	Additions/ Transfers	Disposals	Closing	2015/2016	2014/2015
Land	\$ 16,595,380	\$ -	\$ -	\$ 16,595,380	\$ -	\$ -	\$ -	\$ -	\$ 16,595,380	\$ 16,595,380
Land Improvements	6,756,197	424,204	(16,857)	7,163,544	2,119,369	473,246	(6,181)	2,586,434	4,577,110	4,636,828
Buildings	248,145,867	5,139,893	-	253,285,760	77,922,177	6,282,133	-	84,204,310	169,081,450	170,223,690
Portable Structures	3,731,353	61,549	-	3,792,902	2,738,504	188,106	-	2,926,610	866,292	992,849
Leasehold Improvement	80,714	-	-	80,714	30,267	20,178	-	50,445	30,269	50,447
Other Buildings	65,412	-	-	65,412	18,434	3,291	-	21,725	43,687	46,978
Construction in Progress	1,766,352	(1,766,352)	-	-	-	-	-	-	-	1,766,352
Computer Hardware	4,889,493	568,985	(1,024,951)	4,433,527	2,415,884	932,303	(1,024,951)	2,323,236	2,110,291	2,473,609
Computer Software	426,812	94,518	(118,940)	402,390	278,223	82,920	(118,940)	242,203	160,187	148,589
Equipment - 5 year	29,346	-	-	29,346	7,499	5,869	-	13,368	15,978	21,847
Equipment - 10 year	2,738,086	322,692	(30,732)	3,030,046	1,272,070	288,407	(30,732)	1,529,745	1,500,301	1,466,016
Equipment - 15 year	982,897	-	-	982,897	665,428	65,526	-	730,954	251,943	317,469
Furniture	376,008	-	(68,077)	307,931	198,368	34,197	(68,077)	164,488	143,443	177,640
New School Equipping	2,287,790	-	(9,152)	2,278,638	1,019,169	228,321	(9,152)	1,238,338	1,040,300	1,268,621
Vehicles	218,987	86,110	-	305,097	80,169	44,933	-	125,102	179,995	138,818
	\$ 289,090,694	\$ 4,931,599	\$ (1,268,709)	\$ 292,753,584	\$ 88,765,561	\$ 8,649,430	\$ (1,258,033)	\$ 96,156,958	\$ 196,596,626	\$ 200,325,133

a) Asset Permanently Removed from Service

The School Board has identified one land and one building property that qualify as "assets permanently removed from service". \$500 related to land and \$196,005 related to building have been included in the net book value ending balance as of August 31, 2016.

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12. Accumulated Surplus

Accumulated surplus consists of the following:

	<u>2015/2016</u>	<u>2014/2015</u>
Available for Compliance - Unappropriated		
Operating accumulated surplus	\$ 3,854,919	\$ 4,348,544
Available for Compliance - Internally Appropriated		
Retirement gratuities	2,179,450	2,490,800
WSIB	746,379	746,379
School activities	247,159	216,250
Committed capital projects	2,667,329	2,369,318
Facilities and sites	1,638,702	1,638,702
Total Internally Appropriated	<u>7,479,019</u>	<u>7,461,449</u>
Unavailable for Compliance		
Invested in tangible capital assets	16,599,631	16,309,962
School generated funds	1,621,273	1,545,931
Interest to be accrued	(228,268)	(247,383)
Employee future benefits	(11,800,745)	(13,192,260)
Total Unavailable for Compliance	<u>6,191,891</u>	<u>4,416,250</u>
Total Accumulated Surplus	<u>\$ 17,525,829</u>	<u>\$ 16,226,243</u>

13. Trust Funds

Trust funds administered by the School Board amounting to \$212,629 (2015 - \$208,580) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

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14. Student Transportation Services of Central Ontario Transportation Consortium

On March 30, 2007, the School Board entered into an agreement with Kawartha Pine Ridge District School Board and Conseil Scolaire De District Catholique Centre-Sud in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the School Boards. Under the agreement, decisions related to the financial and operating activities of Student Transportation Services of Central Ontario are shared. No partner is in a position to exercise unilateral control.

The following provides condensed financial information:

	<u>2015/2016</u>		<u>2014/2015</u>	
	<u>Total</u>	<u>Board Portion</u>	<u>Total</u>	<u>Board Portion</u>
Expenses	<u>\$ 27,994,940</u>	<u>\$ 8,696,994</u>	<u>\$ 27,786,223</u>	<u>\$ 8,076,428</u>