



Grant Thornton

Consolidated Financial Statements

**The Protestant Separate School Board  
of the Town of Penetanguishene**

August 31, 2015

# Contents

	<b>Page</b>
Management Report	1
Independent Auditor's Report	2 - 3
Consolidated Statement of Operations	4
Consolidated Statement of Financial Position	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Net Debt	7
Notes to the Consolidated Financial Statements	8 - 20

## MANAGEMENT REPORT

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


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

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

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 Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

  
Lyne Cousens  
Board Chair

  
Sean Turner  
Manager of Finance & Treasurer

February 8, 2016

# Independent Auditor's Report

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To the Board of Trustees of  
The Protestant Separate School Board  
of the Town of Penetanguishene

We have audited the accompanying consolidated financial statements of The Protestant Separate School Board of the Town of Penetanguishene, which comprise the consolidated statement of financial position as at August 31, 2015, the consolidated statements of operations, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in Note 1 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of 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 consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and

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

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

**Opinion**

In our opinion, the consolidated financial statements of The Protestant Separate School Board of the Town of Penetanguishene as at and for the year ended August 31, 2015 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

**Emphasis of Matter**

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

*Grant Thornton LLP*

Orillia, Ontario  
February 8, 2016

Chartered Professional Accountants  
Licensed Public Accountant

**The Protestant Separate School Board  
of the Town of Penetanguishene  
Consolidated Statement of Operations**

Years ended August 31	Budgeted (Note 12)	2015	2014
<b>Revenue</b>			
Provincial grants			
- Grants for student needs	\$ 2,652,456	\$ 2,723,785	\$ 2,670,837
- Other	466,224	831,465	723,002
School generated funds	63,129	124,139	91,737
Investment income	-	-	62
Other fees and revenue	<u>17,230</u>	<u>29,435</u>	<u>5,914</u>
Total revenue	<u>3,199,039</u>	<u>3,708,824</u>	<u>3,491,552</u>
<b>Expenses (Note 9)</b>			
Instruction	2,539,477	2,608,382	2,523,992
Administration	473,250	359,622	395,398
Transportation	115,000	132,899	115,147
Pupil accommodation	241,769	281,597	287,986
School generated funds	<u>63,129</u>	<u>99,903</u>	<u>83,998</u>
Total expenses	<u>3,432,625</u>	<u>3,482,403</u>	<u>3,406,521</u>
	<u>(233,586)</u>	<u>226,421</u>	<u>85,031</u>
Deferred school renewal funds	<u>-</u>	<u>144,205</u>	<u>-</u>
Annual surplus/(deficit)	<u>(233,586)</u>	<u>370,626</u>	<u>85,031</u>
Accumulated surplus, beginning of year	<u>707,670</u>	<u>707,670</u>	<u>622,639</u>
Accumulated surplus, end of year	<u>\$ 474,084</u>	<u>\$ 1,078,296</u>	<u>\$ 707,670</u>

See accompanying notes to the consolidated financial statements.

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**The Protestant Separate School Board  
of the Town of Penetanguishene  
Consolidated Statement of Financial Position**

August 31

2015

2014

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**Financial assets**

Receivables \$ 207,781 \$ 188,525

**Liabilities**

Bank indebtedness (Note 4) 41,338 93,899

Payables and accruals (Note 2) 79,586 211,916

Deferred revenue (Note 5) 80,052 286,465

Retirement and other employee future benefits  
liabilities (Note 6) 131,075 125,796

Net long-term liabilities (Note 7) 950 950

Capital lease obligation (Note 13) 100,850 -

433,851 719,026

**Net debt** (226,070) (530,501)

**Non-financial assets**

Prepaid expenses - 1,496

Tangible capital assets (Note 3) 1,304,366 1,236,675

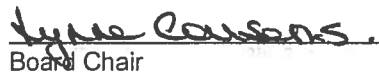
Total non-financial assets 1,304,366 1,238,171

Accumulated surplus (Note 8) \$ 1,078,296 \$ 707,670

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Signed on behalf of the Board

  
Director of Education

  
Board Chair

See accompanying notes to the consolidated financial statements.

**The Protestant Separate School Board  
of the Town of Penetanguishene  
Consolidated Statement of Cash Flows**

August 31

2015

2014

Increase (decrease) in cash

**Operating activities**

Annual surplus	\$ 370,626	\$ 85,031
Sources and (uses)		
Non-cash items including amortization, write downs and gain/loss on disposal	89,734	56,564
(Increase) decrease in receivables	(19,256)	124,078
Increase (decrease) in payables and accruals	(132,330)	473
Increase (decrease) in deferred revenue	(206,413)	125,228
Increase (decrease) in retirement and other employee future benefits liabilities	5,279	(45,196)
Decrease in non-financial assets – prepaid expenses	<u>1,496</u>	<u>12,659</u>
	<u>109,136</u>	<u>358,837</u>

**Financing activities**

Increase (decrease) in temporary borrowing	(52,561)	18,899
Increase in capital lease obligations	<u>100,850</u>	<u>-</u>
	<u>48,289</u>	<u>18,899</u>

**Capital activities**

Cash used to acquire tangible capital assets	<u>(157,425)</u>	<u>(377,754)</u>
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Decrease in cash and cash equivalents during the year	-	(18)
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Cash and cash equivalents, beginning of year	<u>-</u>	<u>18</u>
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Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>
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See accompanying notes to the consolidated financial statements.



**The Protestant Separate School Board  
of the Town of Penetanguishene  
Consolidated Statement of Changes in Net Debt**

Years ended August 31	Budgeted (Note 12)	2015	2014
Annual surplus (deficit)	\$ <u>(143,852)</u>	\$ <u>370,626</u>	\$ <u>85,031</u>
Acquisition of tangible capital assets	(157,425)	(157,425)	(377,754)
Amortization of tangible capital assets	<u>89,734</u>	<u>89,734</u>	<u>56,564</u>
	<u>(67,691)</u>	<u>(67,691)</u>	<u>(321,190)</u>
Decrease in non-financial assets – prepaid expenses	<u>-</u>	<u>1,496</u>	<u>12,659</u>
Decrease (increase) in net debt	<u>(211,543)</u>	<u>304,431</u>	<u>(223,500)</u>
Net debt, beginning of year	<u>(530,501)</u>	<u>(530,501)</u>	<u>(307,001)</u>
Net debt, end of year	\$ <u>(742,044)</u>	\$ <u>(226,070)</u>	\$ <u>(530,501)</u>

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 1. Significant accounting policies

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

#### 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.

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 would be recorded differently under Canadian Public Sector Accounting Standards.

#### Reporting Entity

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

School generated funds, which include the assets, liabilities, revenues, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

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

#### Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 1. Significant accounting policies (continued)

#### 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.

#### Retirement and Other Employee Future Benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuities, workers' compensation and long-term disability benefits. 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 rate, 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.

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 1. Significant accounting policies (continued)

#### 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 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:

Land improvements with finite lives	15 years
Buildings	40 years
First-time Equipping	10 years
Equipment	5-15 years
Computer hardware	5 years

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

Land permanently removed from service and held for resale is recorded at the lower of cost and 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.

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

#### Government Transfers

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

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 1. Significant accounting policies (continued)

#### Investment Income

Investment income is reported as revenue in the period earned.

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

#### Long term debt

Long term debt is recorded net of related sinking fund asset balances.

#### Budget Figures

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

#### Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenditures during the year. Accounts subject to significant estimates include retirement and other employee future benefits and estimated useful lives of tangible capital assets. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

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### 2. Payables and accruals

	<u>2015</u>	<u>2014</u>
Accounts Payable –Ministry of Education	\$ 2,124	\$ 97,307
Accounts Payable - Other	<u>77,462</u>	<u>114,609</u>
	<u>\$ 79,586</u>	<u>\$ 211,916</u>

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# The Protestant Separate School Board of the Town of Penetanguishene Notes to the Consolidated Financial Statements

August 31, 2015

### 3. Tangible Capital Assets

	Costs				Opening Balance September 1, 2014	Closing Balance August 31, 2015	Opening Balance September 1, 2014	Accumulated amortization		Closing Balance August 31, 2015	Net Book Value 2015	Net Book Value 2014
	Additions/Transfers	Disposals/Transfers		Disposals				Amortization	Disposals			
Land	\$ 1	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1
Land improvements	51,043	-	-	51,043	23,820	3,403	-	27,223	23,820	27,223	23,820	27,223
Building	1,728,358	14,745	-	1,743,103	534,421	70,615	-	605,036	1,138,067	1,138,067	1,138,067	1,193,937
Portable structures	206,600	-	(206,600)	-	206,600	-	(206,600)	-	-	-	-	-
First-time equipping	10,958	-	-	10,958	548	1,096	-	1,644	9,314	1,644	9,314	10,410
Equipment - 5 years	-	64,496	-	64,496	-	6,450	-	6,450	58,046	6,450	58,046	-
Equipment - 15 years	5,280	-	-	5,280	176	352	-	528	4,752	528	4,752	5,104
Computer hardware	27,079	78,184	(27,080)	78,183	27,079	7,818	(27,080)	7,817	70,365	7,817	70,365	-
	\$ 2,029,319	\$ 157,425	\$ (233,680)	\$ 1,953,064	\$ 792,644	\$ 89,734	\$ (233,680)	\$ 648,698	\$ 1,304,366	\$ 648,698	\$ 1,304,366	\$ 1,236,675

### Leased Assets Included Above

	Costs				Opening Balance September 1, 2014	Closing Balance August 31, 2015	Opening Balance September 1, 2014	Accumulated amortization		Closing Balance August 31, 2015	Net Book Value 2015	Net Book Value 2014
	Additions/Transfers	Disposals/Transfers		Disposals				Amortization	Disposals			
Computer equipment	\$ -	\$ 46,630	\$ -	\$ 46,630	\$ -	\$ 4,663	\$ -	\$ 4,663	\$ 41,967	\$ 4,663	\$ 41,967	\$ -
Equipment - 5 years	-	64,496	-	64,496	-	6,449	-	6,449	58,046	6,449	58,046	-
	\$ -	\$ 111,126	\$ -	\$ 111,126	\$ -	\$ 11,112	\$ -	\$ 11,112	\$ 100,013	\$ 11,112	\$ 100,013	\$ -

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**The Protestant Separate School Board  
of the Town of Penetanguishene  
Notes to the Consolidated Financial Statements**

August 31, 2015

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**4. Bank indebtedness**

	<u>2015</u>	<u>2014</u>
Overdraft	\$ 41,338	\$ 8,899
Bank Loan	<u>-</u>	<u>85,000</u>
	<u>\$ 41,338</u>	<u>\$ 93,899</u>

The Board has an authorized demand unsecured line of credit of \$400,000 at bank prime plus 0% per annum and a VISA limit of \$50,000 at bank prime plus 10%.

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**5. 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. During the year, the Ministry gave written permission for \$144,205 of deferred revenue related to school renewal to be applied to accumulated surplus.

The amounts in deferred revenue are comprised of:

	<u>2015</u>	<u>2014</u>
<b>School Renewal Deferred Revenue</b>		
Balance, beginning of year	\$ 148,235	\$ 144,205
Revenue applied to Accumulated Surplus	(144,205)	-
Externally restricted revenue	-	25,185
Revenue recognized in the period	<u>-</u>	<u>(21,155)</u>
Balance, end of year	<u>\$ 4,030</u>	<u>\$ 148,235</u>
<b>Other – Mental Health and Addictions</b>		
Balance, beginning of year	\$ 138,230	\$ 17,032
Externally restricted revenue	16,309	286,513
Revenue recognized in the period	<u>(78,517)</u>	<u>(165,315)</u>
Balance, end of year	<u>\$ 76,022</u>	<u>\$ 138,230</u>
<b>Total deferred revenue</b>	<u><b>\$ 80,052</b></u>	<u><b>\$ 286,465</b></u>

**The Protestant Separate School Board  
of the Town of Penetanguishene  
Notes to the Consolidated Financial Statements**

August 31, 2015

**6. Retirement and other employee future benefits**

a) Employee future benefits liabilities:

	<u>Retirement Benefits</u>	<u>Other Employee Future Benefits</u>	<u>2015 Total Employee Future Benefits</u>	<u>2014 Total Employee Future Benefits</u>
Accrued employee future benefits obligation	\$ 120,366	\$ 17,571	\$ 137,937	\$ 133,413
Unamortized actuarial gains	<u>(6,862)</u>	<u>-</u>	<u>(6,862)</u>	<u>(7,617)</u>
Employee future benefits liability	<u>\$ 113,504</u>	<u>\$ 17,571</u>	<u>\$ 131,075</u>	<u>\$ 125,796</u>

b) Employee future benefits expenses:

Current year benefit cost	\$ -	\$ 2,298	\$ 2,298	\$ (49,466)
Interest on accrued benefit obligation	3,302	454	3,756	5,131
Recognized actuarial (gain) loss	<u>1,958</u>	<u>(1,069)</u>	<u>889</u>	<u>2,244</u>
Employee future benefit (recovery) expenses	<u>\$ 5,260</u>	<u>\$ 1,683</u>	<u>\$ 6,943</u>	<u>\$ (42,091)</u>

During the year, benefit payments of \$1,664 (2014 - \$3,105) were made.

The employee future benefits expenses above exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.



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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 6. Retirement and other employee future benefits (continued)

#### Actuarial Report

The accrued benefit obligations for employee future benefit plans as at August 31, 2015 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2015. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2015</u>	<u>2014</u>
Inflation		
Retirement Gratuities	1.5%	2%
Carry-over sick leave credits	0%	0%
Continuation of subsidized group benefits while on LTD	1.5%	2%
Wage and salary escalation		
Retirement Gratuities	0%	0%
Carry-over sick leave credits	2%	0%
Health care cost trend		
Continuation of subsidized group benefits while on LTD	8.5%	8.75%
Dental care cost trend		
Continuation of subsidized group benefits while on LTD	4.5%	4.75%
Discount on accrued benefit obligations		
Retirement Gratuities	2.45%	2.85%
Carry-over sick leave credits	0%	0%
Continuation of subsidized group benefits while on LTD	2.45%	2.85%

#### Retirement Benefits

##### (i) Ontario Teachers' Pension Plan

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

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 6. Retirement and other employee future benefits (continued)

#### Retirement Benefits

##### (ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2015, the Board contributed \$38,804 (2014 - \$40,776) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

##### (iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days and years of service at August 31, 2012.

##### (iv) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 1 employer under the Workplace Safety and Insurance Act and, as such, the Board insures all claims by its injured workers under the Act. The Board's insurance premiums for the year ended August 31, 2015 were \$16,662 (2014 - \$18,851) and are included in the Board's current year benefit costs. No liabilities for claims by its injured workers under the Act are included in the Board's consolidated financial statements. The 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 previously negotiated collective agreement included such provision.

##### (v) Long-Term Disability Health Care Benefits

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The 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.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 6. Retirement and other employee future benefits (continued)

#### Other Employee Future Benefits

##### (vi) Sick Leave Top-Up Benefits

As a result of changes made in 2012-2013 to the short term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$482 (2014 – \$2,116).

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 (the date at which probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees at August 31, 2015.

##### (vii) Life insurance, health care and dental benefits

The Board provides a separate life insurance benefits plan for certain retirees. The Board also sponsors a separate plan for retirees to provide group health care and dental benefits. The premiums for this plan are based on the experience of this group. In 2014-2015, the premiums collected were not sufficient to cover the costs. The benefit costs and liabilities related to the shortfall of these retirees under this group plan are included in the Board's consolidated financial statements.

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### 7. Net long-term liabilities

Net long-term liabilities reported on the Consolidated Statement of Financial Position are comprised of the following:

	<u>2015</u>	<u>2014</u>
Old Debentures	\$ <u>950</u>	\$ <u>950</u>

These are old debentures that have never been presented nor cashed. Therefore, there is no specified principal payment date relating to the above balance.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2015

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### 8. Accumulated Surplus

Accumulated surplus (deficit) consists of the following:	<u>2015</u>	<u>2014</u>
Invested in tangible capital assets	\$ 1,203,516	\$ 1,236,675
Amounts restricted by Board for future use		
Employee future benefits	(131,075)	(125,796)
Operating accumulated (deficit)	(49,856)	(434,685)
School generated funds	<u>55,711</u>	<u>31,476</u>
	<u>\$ 1,078,296</u>	<u>\$ 707,670</u>

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### 9. Expenses by object

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

	<u>Budget</u> (Note 12)	<u>2015</u>	<u>2014</u>
Salary and wages	\$ 2,127,159	\$ 2,176,205	\$ 2,185,426
Employee benefits	373,017	398,510	340,443
Staff development	5,326	6,109	15,755
Supplies and services	249,317	226,853	286,576
Interest charges on capital leases	-	1,357	-
Rental expenses	79,338	62,844	52,737
Fees and contract services	360,777	418,850	384,656
Other	84,828	2,038	366
Amortization of tangible capital assets	89,734	89,734	56,564
School generated funds	<u>63,129</u>	<u>99,903</u>	<u>83,998</u>
	<u>\$ 3,432,625</u>	<u>\$ 3,482,403</u>	<u>\$ 3,406,521</u>

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### 10. 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 Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rate share of claims experience.

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### 11. Commitments

The minimum payments required for renting the Board office, employing contractors, and leasing equipment amount to \$450,233 not including applicable taxes. Annual payments in aggregate for the next five years and thereafter are as follows:

2016	\$	207,452
2017		184,327
2018		23,280
2019		23,280
2020		<u>11,894</u>
	\$	<u>450,233</u>

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### 12. Budget reconciliation

The budget approved by the Board on September 15, 2014 was not prepared on a Public Sector Accounting Standards basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated only reflect the planned results of the Board's operating activities. They do not incorporate budgeted figures for its capital operations. 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:

Budgeted annual surplus (deficit)	\$	(143,852)
Amortization expense		<u>(89,734)</u>
Adjusted budgeted annual deficit per consolidated statement of operations	\$	<u>(233,586)</u>

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of the Town of Penetanguishene  
Notes to the Consolidated Financial Statements**

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**13. Capital Lease Obligations**

The capital lease obligations include agreements for the use of photocopiers and a computer lab. A bargain purchase option exists for each lease. All leases were entered into during the fiscal year ended August 31, 2015 and are for 60 month terms. The implicit interest rate for the leases is 7%. Monthly payments of \$1,126 are made towards the photocopiers, and \$814 towards the computer lab. Interest expense of \$1,357 from lease obligations is included in the expenses on the Consolidated Statement of Operations.

The Board's total future minimum lease payments under capital lease obligations over the next five years are as follows:

2016	\$	23,280
2017		23,280
2018		23,280
2019		23,280
2020		<u>11,894</u>
	\$	<u>105,014</u>