



Consolidated Financial Statements

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

August 31, 2016

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



Lynne Cousens  
Board Chair



Sean Turner  
Manager of Finance & Treasurer

February 13, 2017

## 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, 2016, the consolidated statements of operations, changes in net assets (debt) and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the 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 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, 2016 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.

Barrie, Ontario  
February 13, 2017

*Grant Thornton LLP*

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	2016	2015
<b>Revenue</b>			
Provincial grants			
- Grants for student needs	\$ 2,880,053	\$ 2,989,515	\$ 2,723,786
- Other	675,008	932,067	831,465
School generated funds	126,621	76,806	124,138
Other fees and revenue	40	22,675	29,436
Total revenue	<u>3,681,722</u>	<u>4,021,063</u>	<u>3,708,825</u>
<b>Expenses (Note 7)</b>			
Instruction	2,878,350	2,830,243	2,608,382
Administration	443,259	360,268	359,622
Transportation	116,419	138,325	132,900
Pupil accommodation	235,352	241,102	281,597
School generated funds	126,621	68,351	99,903
Total expenses	<u>3,800,001</u>	<u>3,638,289</u>	<u>3,482,404</u>
	<u>(118,279)</u>	<u>382,774</u>	<u>226,421</u>
Deferred school renewal funds	-	-	144,205
Accumulated surplus (deficit)	<u>(118,279)</u>	<u>382,774</u>	<u>370,626</u>
Accumulated surplus, beginning of year	<u>657,681</u>	<u>1,078,296</u>	<u>707,670</u>
Accumulated surplus, end of year	<u>\$ 539,402</u>	<u>\$ 1,461,070</u>	<u>\$ 1,078,296</u>

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

August 31

2016

2015

## Financial assets

Cash	\$ 166,045	\$ -
Receivables	<u>281,905</u>	<u>207,781</u>
	<u>447,950</u>	<u>207,781</u>

## Liabilities

Bank indebtedness (Note 2)	-	41,338
Payables and accruals	59,050	79,586
Deferred revenue (Note 3)	57,396	80,052
Retirement and other employee future benefits liabilities (Note 4)	89,532	131,075
Net long-term liabilities (Note 5)	950	950
Capital lease obligation (Note 6)	<u>79,526</u>	<u>100,850</u>
	<u>286,454</u>	<u>433,851</u>

## Net assets (debt) (Page 7)

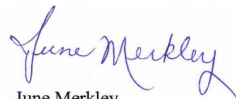
<u>161,496</u>	<u>(226,070)</u>
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## Non-financial assets

Tangible capital assets (Note 8)	<u>1,299,574</u>	<u>1,304,366</u>
Accumulated surplus (Note 9)	<u>\$ 1,461,070</u>	<u>\$ 1,078,296</u>

Commitments (Note 11)

Signed on behalf of the Board



June Merkley

Director of Education



Lynne Cousens

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

2016

2015

Increase (decrease) in cash

## Operating activities

Annual surplus	\$	382,774	\$	370,626
Sources and (uses)				
Non-cash items including amortization, write downs and gain/loss on disposal		63,690		89,734
Increase in receivables		(74,124)		(19,256)
Decrease in payables and accruals		(20,536)		(132,330)
Decrease in deferred revenue		(22,656)		(206,413)
(Decrease) increase in retirement and other employee future benefits liabilities		(41,543)		5,279
Decrease in non-financial assets – prepaid expenses		-		1,496
		<u>287,605</u>		<u>109,136</u>

## Financing activities

Decrease in temporary borrowing		(41,338)		(52,561)
(Decrease) increase in capital lease obligations		(21,324)		100,850
		<u>(62,662)</u>		<u>48,289</u>

## Capital activities

Cash used to acquire tangible capital assets		<u>(58,898)</u>		<u>(157,425)</u>
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Increase in cash and cash equivalents during the year		166,045		-
Cash and cash equivalents, beginning of year		-		-
Cash and cash equivalents, end of year	\$	<u>166,045</u>	\$	<u>-</u>



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

Years ended August 31	Budgeted	2016	2015
Annual surplus	\$ (118,279)	\$ 382,774	\$ 370,626
Acquisition of tangible capital assets	(58,898)	(58,898)	(157,425)
Amortization of tangible capital assets	63,690	63,690	89,734
	<u>4,792</u>	<u>4,792</u>	<u>(67,691)</u>
Decrease in non-financial assets – prepaid expenses	-	-	1,496
Increase in net assets (debt)	\$ (113,487)	387,566	304,431
Net debt, beginning of year	(742,044)	(226,070)	(530,501)
Net assets (debt), end of year	\$ <u>(855,531)</u>	\$ <u>161,496</u>	\$ <u>(226,070)</u>

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

## **Notes to the Consolidated Financial Statements**

August 31, 2016

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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.

#### **(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.

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.

#### **(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 the assets, liabilities, revenues and expenditures 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.

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

## **Notes to the Consolidated Financial Statements**

August 31, 2016

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### **1. Significant accounting policies (continued)**

#### **(c) Cash and Cash Equivalents**

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

#### **(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) 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 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 accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

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

- (ii) 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;

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

## **Notes to the Consolidated Financial Statements**

August 31, 2016

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### **1. Significant accounting policies (continued)**

- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

#### **(f) 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:

Buildings	20 - 40 years
Portable structures	20 years
Equipment	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. 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.

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

## **Notes to the Consolidated Financial Statements**

August 31, 2016

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### **1. Significant accounting policies (continued)**

#### **(g) 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.

#### **(h) 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.

#### **(i) Long term debt**

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

#### **(j) 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.

#### **(k) 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.

# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2016

### 1. Significant accounting policies (continued)

#### (I) 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.

### 2. Temporary borrowing

	<u>2016</u>	<u>2015</u>
Bank overdraft	\$ <u>-</u>	\$ <u>41,338</u>

The Board has an authorized demand unsecured line of credit of \$450,000 at bank prime plus 0% per annum and a VISA limit of \$50,000 at bank prime plus 10%.

### 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:

The amounts in deferred revenue are comprised of:

	<u>2016</u>	<u>2015</u>
<b>School Renewal Deferred Revenue</b>		
Balance, beginning of year	\$ 4,030	\$ 148,235
Revenue applied to Accumulated Surplus	<u>-</u>	<u>(144,205)</u>
Balance, end of year	\$ <u>4,030</u>	\$ <u>4,030</u>
<b>Other – Mental Health and Addictions</b>		
Balance, beginning of year	\$ 76,022	\$ 138,230
Externally restricted revenue	(5,600)	16,309
Revenue recognized in the period	<u>(17,056)</u>	<u>(78,517)</u>
Balance, end of year	\$ <u>53,366</u>	\$ <u>76,022</u>
Total deferred revenue	\$ <u>57,396</u>	\$ <u>80,052</u>

# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2016

### 4. Retirement and other employee future benefits

#### a) Employee future benefits liabilities:

			<u>2016</u>	<u>2015</u>
	<u>Retirement</u>	<u>Other Employee</u>	<u>Total Employee</u>	<u>Total Employee</u>
	<u>Benefits</u>	<u>Future Benefits</u>	<u>Future Benefits</u>	<u>Future Benefits</u>
Accrued employee future benefits obligation	\$ 82,449	\$ 17,678	\$ 100,127	\$ 137,937
Unamortized actuarial gains	<u>(10,595)</u>	<u>-</u>	<u>(10,595)</u>	<u>(6,862)</u>
Employee future benefits liability	\$ <u>71,854</u>	\$ <u>17,678</u>	\$ <u>89,532</u>	\$ <u>131,075</u>

#### b) Employee future benefits expenses:

Current year benefit cost	\$ -	\$ 2,814	\$ 2,814	\$ 2,298
Interest on accrued benefit obligation	2,381	387	2,768	3,756
Recognized actuarial losses	<u>2,374</u>	<u>84</u>	<u>2,458</u>	<u>889</u>
Employee future benefit expenses	\$ <u>4,755</u>	\$ <u>3,285</u>	\$ <u>8,040</u>	\$ <u>6,943</u>

During the year, benefit payments of \$3,178 (2015 - \$1,664) 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, 2016

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

#### Actuarial Report

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2016. 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>2016</u>	<u>2015</u>
Inflation		
Retirement Gratuities	1.5%	1.5%
Carry-over sick leave credits	1.5%	1.5%
Continuation of subsidized group benefits while on LTD	1.5%	1.5%
Wage and salary escalation		
Carry-over sick leave credits	2%	2%
Health care cost trend		
Continuation of subsidized group benefits while on LTD	8%	8.5%
Dental care cost trend		
Continuation of subsidized group benefits while on LTD	4%	4.5%
Discount on accrued benefit obligations		
Retirement Gratuities	2.05%	2.45%
Continuation of subsidized group benefits while on LTD	2.05%	2.45%

#### 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, 2016

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### **4. Retirement and other employee future benefits (continued)**

#### **Retirement 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 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, 2016, the Board contributed \$47,274 (2015 - \$38,804) 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.

##### **1. Voluntary Retirement Gratuity Early Payout Provision**

During 2015-16, ETFO ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided ETFO members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 2016 (or the first pay period in September 2016 for CUPE).

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 losses in the Board's 2015-16 year financial statements. This resulted in the Board's employee future benefit liability decreasing by \$41,543.

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

## **Notes to the Consolidated Financial Statements**

August 31, 2016

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### **4. Retirement and other employee future benefits (continued)**

#### **Other Employee Future Benefits**

##### **(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, 2016 were \$17,914 (2015 - \$16,662) 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. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where collective agreements negotiated prior to 2012 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.

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

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 \$1,840 (2015 - \$482).

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, 2016 (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, 2016.

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

## **Notes to the Consolidated Financial Statements**

August 31, 2016

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### **4. Retirement and other employee future benefits (continued)**

#### **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 2016-17 for the ETFO employee group. 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 December 31, 2016, 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 2014-15 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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### **5. Net long-term debt**

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

	<u>2016</u>	<u>2015</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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### **6. 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 from the lease is 2.7%. Monthly payments of \$1,126 are made towards the photocopiers and \$814 towards the computer lab. Interest expense of \$2,460 from lease obligations is included in the expenses on the Consolidated Statement of Operations. Over the next four years an additional \$3,796 in interest expense is expected to be incurred.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2016

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### 6. Capital lease obligations (continued)

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

2017	\$	21,906
2018		22,505
2019		23,120
2020		11,995
	\$	<u>79,526</u>

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### 7. Expenses by object

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

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Salary and wages	\$ 2,338,410	\$ 2,333,541	\$ 2,176,205
Employee benefits	428,405	436,436	398,510
Staff development	27,212	8,144	6,109
Supplies and services	416,128	237,670	226,853
Interest charges on capital leases	-	394	1,357
Rental expenses	66,243	38,829	62,844
Fees and contract services	330,623	446,181	418,850
Other	12,829	5,053	2,038
Amortization of tangible capital assets	53,530	63,690	89,734
School generated funds	<u>126,621</u>	<u>68,351</u>	<u>99,903</u>
	\$ <u>3,800,001</u>	\$ <u>3,638,289</u>	\$ <u>3,482,403</u>

# The Protestant Separate School Board of the Town of Penetanguishene Notes to the Consolidated Financial Statements August 31, 2016

## 8. Tangible capital assets

	Costs				Accumulated amortization		Closing Balance August 31, 2016	Net Book Value 2016	Net Book Value 2015
	Opening Balance September 1, 2015	Additions/ Transfers	Disposals/ Transfers	Closing Balance August 31, 2016	Opening Balance September 1, 2015	Amortization Disposals			
Land	\$ 1	\$ -	\$ -	1	\$ -	\$ -	\$ -	1	1
Land improvements	51,043	-	-	51,043	27,223	3,403	30,626	20,417	23,820
Building	1,743,103	10,176	-	1,753,279	605,036	26,953	631,989	1,121,290	1,138,067
First-time equipping	10,958	-	-	10,958	1,644	1,096	2,740	8,218	9,314
Equipment - 5 years	64,496	6,926	-	71,422	6,450	13,592	20,042	51,380	58,046
Equipment - 15 years	5,280	7,515	-	12,795	528	602	1,130	11,665	4,752
Computer hardware	78,183	24,071	-	102,254	7,817	18,044	25,861	76,393	70,366
Pre-acquisition costs	-	10,210	-	10,210	-	-	-	10,210	-
	\$ 1,953,064	\$ 58,898	\$ -	\$ 2,011,962	\$ 648,698	\$ 63,690	\$ 712,388	\$ 1,299,574	\$ 1,304,366

## Leased assets included above

	Costs				Accumulated amortization		Closing Balance August 31, 2016	Net Book Value 2016	Net Book Value 2015
	Opening Balance September 1, 2015	Additions/ Transfers	Disposals/ Transfers	Closing Balance August 31, 2016	Opening Balance September 1, 2015	Amortization Disposals			
Computer equipment	\$ 46,630	\$ -	\$ -	46,630	4,663	9,326	13,989	32,641	41,697
Equipment - 5 years	64,496	-	-	64,496	6,450	12,899	19,349	45,147	58,046
	\$ 111,126	\$ -	\$ -	\$ 111,126	\$ 11,113	\$ 22,225	\$ 33,338	\$ 77,788	\$ 99,743

Pre-acquisition costs having a value of \$10,210 have not been amortized. Amortization of these assets will commence when the assets these costs relate to have been put into service.

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

### Notes to the Consolidated Financial Statements

August 31, 2016

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#### 9. Accumulated surplus

Accumulated surplus consists of the following:	<u>2016</u>	<u>2015</u>
Invested in tangible capital assets	\$ 1,221,785	\$ 1,204,352
Amounts restricted by Board for future use		
Employee future benefits	(89,532)	(131,075)
Operating accumulated surplus (deficit)	264,648	(50,694)
School generated funds	<u>64,169</u>	<u>55,713</u>
	<u>\$ 1,461,070</u>	<u>\$ 1,078,296</u>

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#### 10. 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 \$24,000,000 per occurrence.

The ultimate premiums over a five year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2021.

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#### 11. Commitments

The minimum payments required under operating leases for the Board office and equipment amount to \$161,046 plus applicable taxes in aggregate for the next year.