



Grant Thornton

Consolidated Financial Statements

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

August 31, 2019

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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 Auditor's 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 10, 2020

# Independent Auditor's Report

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

## Opinion

We have audited the consolidated financial statements of The Protestant Separate School Board of the Town of Penetanguishene (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2019, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The Protestant Separate School Board of the Town of Penetanguishene as at August 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with basis of accounting described in Note 1 of the consolidated financial statements.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter – Basis of Accounting

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.

## Responsibilities of management and those charged with governance for the consolidated 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 of 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.

In preparing the consolidated financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The logo for Grant Thornton LLP, featuring the company name in a stylized, handwritten-style script.

Barrie, Canada  
February 10, 2020

Chartered Professional Accountants  
Licensed Public Accountants

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

Year ended August 31	Budgeted	2019	2018
<b>Revenue</b>			
Provincial grants			
Grant for student needs	\$ 4,597,906	\$ 4,352,761	\$ 3,489,026
Other	205,244	299,673	476,586
Local taxation	305,414	295,439	288,603
Contributed capital (Note 5)	103,815	172,879	353,801
School generated funds	113,472	121,029	85,801
Other fees and revenues	2,049	11,718	16,219
<b>Total revenue</b>	<b>5,327,900</b>	<b>5,253,499</b>	<b>4,710,036</b>
<b>Expenses (Note 9)</b>			
Instruction	4,096,840	3,974,100	3,181,193
Administration	407,157	364,926	365,117
Transportation	121,746	126,646	124,157
Pupil accomodation	359,416	255,223	206,940
School generated funds	103,815	107,298	83,768
Other	210,305	295,353	190,837
<b>Total expenses</b>	<b>5,299,279</b>	<b>5,123,546</b>	<b>4,152,012</b>
<b>Annual surplus</b>	<b>28,621</b>	<b>129,953</b>	<b>558,024</b>
<b>Accumulated surplus, beginning of year</b>	<b>2,122,654</b>	<b>2,122,654</b>	<b>1,564,630</b>
<b>Accumulated surplus, end of year</b>	<b>\$ 2,151,275</b>	<b>\$ 2,252,607</b>	<b>\$ 2,122,654</b>

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

August 31

2019

2018

## Financial assets

Cash and cash equivalents	\$ 951,408	\$ -
Receivables (Note 2)	164,514	1,376,387
	<u>1,115,922</u>	<u>1,376,387</u>

## Financial liabilities

Bank indebtedness (Note 8)	-	275,013
Payables and accruals	108,169	222,433
Deferred revenue (Note 3)	376,781	391,121
Retirement and other employee future benefits liabilities (Note 4)	45,381	42,117
Net long-term liabilities (Note 6)	950	950
Capital lease obligations (Note 7)	11,411	35,114
Deferred capital contributions (Note 5)	<u>3,428,175</u>	<u>3,514,643</u>
	<u>3,970,867</u>	<u>4,481,391</u>

**Net financial debt** (Page 7) (2,854,945) (3,105,004)

## Non-financial assets


Tangible capital assets (Note 10)	<u>5,107,552</u>	<u>5,227,658</u>
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**Accumulated surplus** (Note 11) \$ 2,252,607 \$ 2,122,654

Commitments (Note 13)

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

Year ended August 31	2019	2018
(Decrease) increase in cash and cash equivalents		
<b>Operating transactions</b>		
Annual surplus	\$ 129,953	\$ 558,024
Sources and (uses)		
Non-cash items including amortization, write downs and gain/loss on disposal	295,251	193,103
Amortization of contributed capital earned	(172,879)	(353,801)
Decrease in receivables	1,211,873	488,634
Decrease in payables and accruals	(114,264)	(738,518)
(Decrease) increase in deferred revenue	(14,340)	44,361
Increase in retirement and other employee future benefits liabilities	3,264	6,284
	<u>1,338,858</u>	<u>198,087</u>
<b>Financing transactions</b>		
(Decrease) increase in temporary borrowings	(275,013)	149,804
Decrease in capital lease obligations	(23,703)	(22,506)
Cash (applied to) provided to financing transactions	<u>(298,716)</u>	<u>127,298</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(175,145)	(2,522,296)
Deferred capital contributions received	<u>86,411</u>	<u>2,196,911</u>
Cash applied to capital transactions	<u>(88,734)</u>	<u>(325,385)</u>
Increase in cash	951,408	-
Cash and cash equivalents		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ 951,408</u>	<u>\$ -</u>



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

Year ended August 31	Budgeted	2019	2018
Annual surplus	\$ 28,621	\$ 129,953	\$ 558,024
Acquisition of tangible capital assets	(2,466,539)	(175,145)	(2,522,296)
Amortization of tangible capital assets	91,509	294,438	190,838
Loss on disposal of tangible capital assets	-	813	2,265
	(2,375,030)	120,106	(2,329,193)
(Increase) decrease in net debt	(2,346,409)	250,059	(1,771,169)
Net debt, beginning of year	(3,105,004)	(3,105,004)	(1,333,835)
Net debt, end of year	\$ (5,451,413)	\$ (2,854,945)	\$ (3,105,004)

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

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

August 31, 2019

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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.

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.

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

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

August 31, 2019

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### **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 Protestant Separate School Board (the "Board") and which are controlled by the Board.

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 Board are reflected in the consolidated financial statements.

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

#### **(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) Deferred Capital Contributions**

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution 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

#### **(f) 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, health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits.

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

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

August 31, 2019

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

#### **(f) Retirement and Other Employee Future Benefits (continued)**

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with Teachers and Education Workers, the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: Elementary Teachers' Federation of Ontario (ETFO). The following ELHTs were established in 2017-2018: Ontario Non-union Education Trust (ONE-T) for non-unionized employees including principals and vice-principals and other school board staff. The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), Principals and Vice Principals, and other school board staff. These benefits are provided through a joint governance structure between the bargaining/employee groups, school board trustees' associations and the Government of Ontario. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

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 is actuarially determined using the employee's salary, banked sick days (if applicable) 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.

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

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

August 31, 2019

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

#### **(f) Retirement and Other Employee Future Benefits (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 and long-term disability, 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.

#### **(g) Tangible Capital Assets**

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all 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 estimated 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, 2019

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

#### **(h) Government Transfers**

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

#### **(i) 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.

#### **(j) Long term debt**

Long term debt is recorded net of related sinking fund asset 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 1a 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. Accounts subject to significant estimates include accruals, retirement and other employee future benefit liabilities and amortization. Actual results could differ from these estimates.

#### **(m) Property Tax Revenue**

Under Canadian 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.

# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

### 2. Accounts Receivable – Government of Ontario

The Board has an account receivable from the Province of Ontario of \$Nil as at August 31, 2019 (2018 - \$489,905) with respect to capital grants.

### 3. Deferred revenue

2019

2018

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, 2019 is comprised of:

#### School Renewal Deferred Revenue

Balance, beginning of year	\$ 53,385	\$ 28,571
Externally restricted revenue	40,497	36,422
Revenue recognized in the period	(21,957)	(11,608)
Balance, end of year	<u>71,925</u>	<u>53,385</u>

#### Other - Mental Health Lead Travel Expenses

Balance, beginning of year	20,518	37,422
Externally restricted revenue	-	-
Revenue recognized in the period	(13,603)	(16,904)
Balance, end of year	<u>6,915</u>	<u>20,518</u>

#### Other - Special Education

Balance, beginning of year	204,647	110,087
Externally restricted revenue	719,030	599,507
Revenue recognized in the period	(760,692)	(504,947)
Balance, end of year	<u>162,985</u>	<u>204,647</u>

# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

<b>3. Deferred revenue (continued)</b>	<b>2019</b>	<b>2018</b>
<b>Other - Mental Health Leader</b>		
Balance, beginning of year	26,838	14,185
Externally restricted revenue	20,957	123,113
Revenue recognized in the period		(110,460)
Balance, end of year	47,795	26,838
<b>Other - Broadband Upgrade</b>		
Balance, beginning of year	57,829	91,670
Externally restricted revenue	-	-
Revenue recognized in the period	(25,481)	(33,841)
Balance, end of year	32,348	57,829
<b>Other - Healthy Schools Initiative</b>		
Balance, beginning of year	-	4,613
Externally restricted revenue	-	-
Revenue recognized in the period		(4,613)
Balance, end of year	-	-
<b>Other - Early Years Lead</b>		
Balance, beginning of year	-	53,878
Externally restricted revenue	-	-
Revenue recognized in the period		(53,878)
Balance, end of year	-	-
<b>Other - Early Development Instrument</b>		
Balance, beginning of year	-	6,334
Externally restricted revenue	-	-
Revenue recognized in the period		(6,334)
Balance, end of year	-	-
<b>Other - Education Project Grants</b>		
Balance, beginning of year	27,904	-
Externally restricted revenue	2,700	27,904
Revenue recognized in the period	(27,904)	-
Balance, end of year	2,700	27,904
<b>Other - Multi-Disciplinary Team Project</b>		
Balance, beginning of year	-	-
Externally restricted revenue	102,528	-
Revenue recognized in the period	(50,415)	-
Balance, end of year	52,113	-
	<b>\$ 376,781</b>	<b>\$ 391,121</b>



# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

4. Retirement and other employee future benefits			2019	2018
	Retirement	Other	Total	Total
	Benefits	Employee	Employee	Employee
		Future	Future	Future
		Benefits	Benefits	Benefits
a) Employee future benefits liabilities:				
Accrued employee future benefits obligation	\$ 44,862	\$ 2,269	\$ 47,131	\$ 44,336
Unamortized actuarial gains	(1,750)	-	(1,750)	(2,219)
Employee future benefit liabilities	\$ 43,112	\$ 2,269	\$ 45,381	\$ 42,117
b) Employee future benefits expenses:				
Current year benefit cost	\$ -	\$ 2,269	\$ 2,269	\$ 2,116
Interest on accrued benefit obligation	1,224	-	1,224	1,063
Recognized actuarial losses	1,887	(1,637)	250	3,180
Employee future benefit expenses	\$ 3,111	\$ 632	\$ 3,743	\$ 6,359

During the year, benefit payments of \$479 (2018 - \$75) 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.

# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

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

#### Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2019 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2019. 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>2019</u>	<u>2018</u>
Inflation		
Retirement Gratuities	1.50%	1.50%
Carry-over sick leave credits	1.50%	1.50%
Continuation of subsidized group benefits while on LTD	1.50%	1.50%
Wage and salary escalation		
Carry-over sick leave credits	2.00%	2.00%
Health care cost trend		
Continuation of subsidized group benefits while on LTD	8.00%	8.00%
Dental care cost trend		
Continuation of subsidized group benefits while on LTD	4.00%	4.00%
Discount on accrued benefit obligations		
Retirement Gratuities	2.00%	2.90%
Continuation of subsidized group benefits while on LTD	2.00%	2.90%

#### 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, 2019

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### **4. 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 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, 2019, the Board contributed \$67,993 (2018 - \$47,714) 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) Retirement Life Insurance and Health Care Benefits**

The Board provides 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 Board experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

### **Other Employee Future Benefits**

#### **(v) 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, 2019 were \$22,565 (2018 - \$18,246) 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.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

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

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

The Board provides long-term disability benefits including partial salary compensation during the period an employee is unable to work or until their normal retirement date. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

#### (vii) 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 \$632 (2018 – \$528).

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, 2019 (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, 2019.

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5. Deferred capital contributions	2019	2018
Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.		
Balance, beginning of year	\$ 3,514,643	\$ 1,671,533
Additions to deferred capital contributions	86,411	2,196,911
Revenue recognized in the period	(172,879)	(353,801)
Balance, end of year	<u>\$ 3,428,175</u>	<u>\$ 3,514,643</u>

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

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### 6. Net long-term liabilities

	2019	2018
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Net long-term liabilities reported on the Consolidated Statement of Financial Position are comprised of the following:

<b>Old debentures</b>	<b>\$ 950</b>	<b>\$ 950</b>
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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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### 7. 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 year an additional \$227 in interest expense is expected to be incurred.

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

2020	11,411
	<u>\$ 11,411</u>

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8. Bank Indebtness	2019	2018
<b>Bank overdraft</b>	<b>\$ -</b>	<b>\$ 275,013</b>

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 19.5% per annum.

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# The Protestant Separate School Board of the Town of Penetanguishene

## Notes to the Consolidated Financial Statements

August 31, 2019

<b>9. Expenses by object</b>	<b>Budgeted</b>	<b>2019</b>	<b>2018</b>
The following is a summary of the expenses reported on the Consolidated Statement of Operations by object:			
Salary and wages	\$ 3,110,041	\$ 3,219,616	\$ 2,621,966
Employee benefits	576,910	526,083	407,840
Staff development	90,025	38,634	34,350
Supplies and services	554,988	362,148	293,503
Rental expenses	60,521	37,776	38,518
Fees and contract services	471,627	417,931	370,831
Other	3,600	2,175	2,265
Amortization on tangible capital assets	210,305	294,438	190,837
School generated funds	103,815	107,298	83,768
Transfers to other Boards	117,447	117,447	108,134
	<u>\$ 5,299,279</u>	<u>\$ 5,123,546</u>	<u>\$ 4,152,012</u>

# **The Protestant Separate School Board of the Town of Penetanguishene** **Notes to the Consolidated Financial Statements** August 31, 2019

## **10. Tangible capital assets**

	Opening Balance September 1, 2018	Costs		Closing Balance August 31, 2019	Opening Balance September 1, 2018	Accumulated amortization		Closing Balance August 31, 2019	Net Book Value 2019	Net Book Value 2018
		Additions/ Transfers	Disposals/ Transfers			Amortization	Disposals			
Land	\$ 230,260	\$ -	\$ -	\$ 230,260	\$ -	\$ -	\$ -	\$ -	\$ 230,260	\$ 230,260
Land Improvements	51,043	-	-	51,043	37,432	3,403	-	40,835	10,208	13,611
Portables	570,469	131,515	-	701,984	14,262	31,898	-	46,160	655,824	556,207
Building	5,068,167	-	-	5,068,167	808,111	207,306	-	1,015,417	4,052,750	4,260,056
First-time equipping	23,624	20,573	1,962	42,235	6,099	3,196	294	9,001	33,234	17,525
Equipment - 5 years	85,015	1,590	504	86,101	52,212	17,062	-	69,274	16,827	32,803
Equipment - 15 years	54,662	12,584	-	67,246	4,267	3,644	-	7,911	59,335	50,395
Computer Hardware	135,199	8,883	-	144,082	68,398	27,929	1,359	94,968	49,114	66,801
	\$ 6,218,439	\$ 175,145	\$ 2,466	\$ 6,391,118	\$ 990,781	\$ 294,438	\$ 1,653	\$ 1,283,566	\$ 5,107,552	\$ 5,227,658

## **Leased assets included in above**

	Opening Balance September 1, 2018	Costs		Closing Balance August 31, 2019	Opening Balance September 1, 2018	Accumulated amortization		Closing Balance August 31, 2019	Net Book Value 2019	Net Book Value 2018
		Additions/ Transfers	Disposals/ Transfers			Amortization	Disposals			
Computer Hardware	\$ 46,630	\$ -	\$ -	\$ 46,630	\$ 32,641	\$ 9,326	\$ -	\$ 41,967	\$ 4,663	\$ 13,989
Equipment - 5 years	64,496	-	(504)	63,992	45,146	12,800	-	57,946	6,046	19,350
	\$ 111,126	\$ -	\$ (504)	\$ 110,622	\$ 77,787	\$ 22,126	\$ -	\$ 99,913	\$ 10,709	\$ 33,339

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

August 31, 2019

11. Accumulated surplus	2019	2018
The accumulated surplus consist of the following		
Invested in tangible capital assets	\$ 5,096,843	\$ 5,194,319
Amounts restricted by Board for future use		
Employee future benefits	(45,381)	(42,117)
Operating accumulated surplus	522,345	391,851
Deferred capital contributions	(3,428,175)	(3,514,643)
School generated funds	106,975	93,244
	<u>\$ 2,252,607</u>	<u>\$ 2,122,654</u>

## 12. 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 \$27,000,000 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.

## 13. Commitments

The minimum payments required under operating leases for the Board office and equipment amount to \$24,418 plus applicable taxes in aggregate for the next year.

## 14. Comparative figures

Comparative figures have been adjusted to conform to changes in the current year presentation.