

Consolidated Financial Statements of

**DISTRICT SCHOOL BOARD OF NIAGARA**

Year ended August 31, 2015



## Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the District School Board of Niagara 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 judgment, 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 financial statements.

The consolidated financial statements have been audited by KPMG 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.

A handwritten signature in black ink, appearing to read "Hoshizaki", written over a horizontal line.

Warren Hoshizaki  
Director of Education, Secretary & Treasurer

A handwritten signature in blue ink, appearing to read "Stacy Veld", written over a horizontal line.

Stacy Veld  
Superintendent of Business

November 24, 2015



**KPMG LLP**

80 King Street, Suite 620  
PO Box 1294 Stn Main  
St. Catharines ON L2R 7A7

Telephone (905) 685-4811  
Telefax (905) 682-2008  
www.kpmg.ca

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of the District School Board of Niagara

We have audited the accompanying consolidated financial statements of the District School Board of Niagara, which comprise the consolidated statement of financial position as at August 31, 2015, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements of the District School Board of Niagara as at August 31, 2015 and for the year ended 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.

*KPMG LLP*

---

Chartered Professional Accounts, Licensed Public Accountants

November 24, 2015  
St. Catharines, Canada

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Financial Position

August 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 74,486,181	\$ 63,146,094
Accounts receivable	19,168,647	16,740,401
Accounts receivable – Government of Ontario (note 3)	117,360,527	119,953,983
Assets held for sale (note 4)	176,643	1,378,603
<b>Total financial assets</b>	<b>211,191,998</b>	<b>201,219,081</b>
<b>Financial Liabilities</b>		
Temporary borrowing	7,586,935	-
Accounts payable and accrued liabilities	31,182,750	28,994,683
Deferred revenue (note 5)	26,673,973	22,231,595
Deferred capital contributions (note 6)	321,565,770	311,535,225
Net long-term liabilities (note 7)	106,490,823	109,918,056
Employee future benefits (note 8)	17,841,500	18,983,470
<b>Total financial liabilities</b>	<b>511,341,751</b>	<b>491,663,029</b>
<b>Net debt</b>	<b>(300,149,753)</b>	<b>(290,443,948)</b>
<b>Non-Financial Assets</b>		
Prepaid expenses	635,180	658,456
Tangible capital assets (note 9)	341,635,689	330,591,100
<b>Total non-financial assets</b>	<b>342,270,869</b>	<b>331,249,556</b>
Commitments (note 16)		
Subsequent events (note 19)		
<b>Accumulated surplus (note 10)</b>	<b>\$ 42,121,116</b>	<b>\$ 40,805,608</b>

See accompanying notes to financial statements.

On behalf of the Board

  
Chair

  
Director of Education

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2015, with comparative information for 2014

	Original Budget	2015	2014
<b>Revenue:</b>			
Provincial legislative grants	\$ 384,940,364	\$ 391,052,723	\$ 364,038,120
Provincial grants – other	3,766,833	3,535,837	21,712,562
Government of Canada	-	66,464	77,969
Investment income	850,000	1,035,202	769,006
Other	2,679,837	4,710,247	3,827,430
School fundraising and other revenue	11,503,378	9,150,005	9,971,086
Amortization of deferred capital contributions	22,773,851	24,233,004	28,447,063
<b>Total revenue</b>	<b>426,514,263</b>	<b>433,783,482</b>	<b>428,843,236</b>
<b>Expenses:</b>			
Instruction	324,481,959	325,883,219	316,101,039
Administration	10,989,421	12,482,842	12,097,484
Transportation	17,571,272	17,956,911	17,911,077
School operation and maintenance	38,432,914	38,794,161	38,126,665
Pupil accommodation	24,758,411	27,707,583	31,126,118
Other	758,480	764,630	760,700
School funded activities	11,503,378	8,878,628	9,656,375
<b>Total expenses (note 13)</b>	<b>428,495,835</b>	<b>432,467,974</b>	<b>425,779,458</b>
<b>Annual surplus (deficit)</b>	<b>(1,981,572)</b>	<b>1,315,508</b>	<b>3,063,778</b>
<b>Accumulated surplus, beginning of year</b>	<b>34,821,923</b>	<b>40,805,608</b>	<b>37,741,830</b>
<b>Accumulated surplus, end of year (note 10)</b>	<b>\$ 32,840,351</b>	<b>\$ 42,121,116</b>	<b>\$ 40,805,608</b>

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Change in Net Debt

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Annual surplus	\$ 1,315,508	\$ 3,063,778
Tangible capital assets activity:		
Acquisition of tangible capital assets	(36,173,562)	(27,474,884)
Amortization of tangible capital assets	24,225,872	23,126,294
Proceeds on sale of tangible capital assets	5,589	-
Transfer to asset held for sale	16,044	1,420,444
Write-downs of tangible capital assets	881,468	6,166,707
Other non-financial asset activity:		
Acquisition of prepaid expenses	(666,123)	(722,785)
Use of prepaid expenses	689,399	800,070
Change in net debt	(9,705,805)	6,379,624
Net debt, beginning of year	(290,443,948)	(296,823,572)
Net debt, end of year	\$ (300,149,753)	\$ (290,443,948)

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Cash Flows

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 1,315,508	\$ 3,063,778
Items not involving cash:		
Amortization and write-off of tangible capital assets	25,170,968	29,293,001
Gain on sale of capital assets and assets held for sale	(4,531,987)	(1,119,081)
Change in employee benefits and other liabilities	(1,141,970)	(1,181,487)
Amortization of deferred capital contributions	(24,233,004)	(28,447,063)
	(3,420,485)	1,609,148
Change in non-cash assets and liabilities:		
Accounts receivable	(2,428,246)	7,219,625
Accounts payable and accrued liabilities	2,188,067	(2,571,255)
Deferred revenue	4,442,378	774,589
Prepaid expenses	23,276	77,285
Net change in cash from operating activities	804,991	7,109,392
Capital Activities:		
Proceeds on sale of assets held for sale	5,723,766	1,848,885
Cash used to acquire tangible capital assets	(36,173,562)	(27,474,884)
Net change in cash from capital activities	(30,449,796)	(25,625,999)
Financing Activities:		
Temporary borrowing	7,586,935	-
Long-term debt issued	-	6,351,678
Long-term debt repaid	(3,427,233)	(3,131,726)
Accounts receivable – Government of Ontario	2,593,456	(1,029,786)
Deferred capital contributions	34,231,735	24,432,128
Net change in cash from financing activities	40,984,893	26,622,294
Net change in cash	11,340,087	8,105,687
Cash and cash equivalents, beginning of year	63,146,094	55,040,407
Cash and cash equivalents, end of year	\$ 74,486,181	\$ 63,146,094

See accompanying notes to financial statements.



# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 1. Significant accounting policies:

The consolidated financial statements of the District School Board of Niagara (the "Board") are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Board are as follows:

### 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 requires 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 1. Significant accounting policies (continued):

### a. Basis of accounting (continued):

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.

### 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 expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities:

School Generated Funds

Proportionately consolidated entities:

Niagara Student Transportation Services

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

### c. Trust funds:

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

### d. 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 1. Significant accounting policies (continued):

### e. 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.

Tangible capital assets, except land, are amortized on a straight line basis over their estimated useful lives as follows:

<b>Asset</b>	<b>Useful Life - Years</b>
Land improvements	15 years
Buildings	40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5-10 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 1. Significant accounting policies (continued):

### f. Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

### g. 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 when the asset has been acquired. 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

### h. Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance, health care benefits, dental benefits, retirement gratuity, worker's 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 costs trends, disability recovery rates, long-term inflation rates and discount rates. For certain employee groups, 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 over the periods of service provided by employees, such as retirement gratuities and life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 1. Significant accounting policies (continued):

### h. 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, 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 Employee 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.

### i. Government transfers:

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

Government transfers for capital are included in deferred capital contributions as described in note 1g.

### j. Investment income:

Investment income is reported as revenue in the period earned.

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

### k. Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees on June 10, 2014, 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 1. Significant accounting policies (continued):

### 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. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenses in the periods in which they become known. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these current estimates.

### m. Property tax revenue:

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

## 2. Change in accounting policy:

On September 1, 2014, the Board adopted Public Sector Accounting Standard PS 3260, Liability for contaminated sites. This standard was adopted on a prospective basis from the date of adoption.

Under PS 3260, a liability for contaminated sites is recognized if the Board has a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. There were no adjustments as a result of the adoption of this standard.

## 3. Accounts receivable – Government of Ontario:

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of Ontario of \$117,360,527 as at August 31, 2015 (2014 - \$119,953,983) with respect to capital grants.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 4. Assets held for sale:

As of August 31, 2015, \$134,063 (2014 - \$1,298,940) related to buildings and \$42,580 (2014 - \$79,663) related to land were recorded as assets held for sale. During the year, eight properties were sold, and additional properties with a net book value of \$16,044 were reclassified during the year. Net proceeds of \$5,723,766 (2014 - \$1,848,885) were received on the sale of these properties, which had a carrying value of \$1,218,004 (2014 - \$729,804), resulting in a gain of \$4,537,576 and in year loss of \$31,814, all of which was deferred for future capital assets purchases according to Ontario Regulation 193/10.

## 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.

Deferred revenue set aside for specific purposes by legislation, regulation of agreement as at August 31, 2015 is comprised of:

	Balance as at August 31, 2014	Externally restricted revenue	Revenue recognized in the period	Transfers to deterred capital contributions (note 6)	Balance as at August 31, 2015
School renewal	\$ 10,262,451	\$ 7,120,171	\$ (133,009)	\$ (2,795,422)	\$ 14,454,191
Proceeds of disposition	6,466,917	4,558,889	-	(1,316,573)	9,709,233
Legislative grants - operating	869,180	45,696,916	(45,773,783)	-	792,313
Other	3,372,619	21,928,721	(18,883,157)	(4,707,068)	1,711,115
School condition improvement	1,260,428	5,615,808	-	(6,869,115)	7,121
<b>Total deferred revenue</b>	<b>\$ 22,231,595</b>	<b>\$ 84,920,505</b>	<b>\$ (64,789,949)</b>	<b>\$ (15,688,178)</b>	<b>\$ 26,673,973</b>

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

## 6. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2015	2014
Balance, beginning of year	\$ 311,535,225	\$ 315,550,160
Additions to deferred capital contributions	18,549,146	11,167,882
Transfer from deferred revenue (note 5)	15,688,178	14,604,908
Transfers to financial assets	(5,589)	(1,340,662)
Amortization of deferred capital contributions	(24,201,190)	(28,447,063)
Balance, end of year	\$ 321,565,770	\$ 311,535,225

## 7. Net long-term liabilities:

Net long-term liabilities reported on the consolidated statement of financial position comprises the following:

	2015	2014
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 15,926,073	\$ 16,423,085
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	10,846,162	11,221,195
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	21,502,672	22,361,168
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	3,285,226	3,451,474
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	8,512,508	8,751,081
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	4,798,195	4,929,598
Debenture, bearing interest at the rate of 3.564% due March 9, 2037	16,746,977	17,247,671
Debenture, bearing interest at the rate of 3.799% due March 19, 2038	18,674,721	19,181,106
Debenture, bearing interest at the rate of 4.003% due March 19, 2039	6,198,289	6,351,678
Balance, end of year	\$ 106,490,823	\$ 109,918,056



# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

## 7. Net long-term liabilities (continued):

Principal and interest payments relating to net long-term liabilities of \$106,490,823 outstanding as at August 31, 2015 are due as follows:

	Principal	Interest	Total
2016	\$ 3,582,112	\$ 4,645,427	\$ 8,227,539
2017	3,744,110	4,484,455	8,228,565
2018	3,913,556	4,316,082	8,229,638
2019	4,090,801	4,139,961	8,230,762
2020	4,276,207	3,955,328	8,231,535
Thereafter	86,884,037	31,739,439	118,623,476
	<u>\$ 106,490,823</u>	<u>\$ 53,280,692</u>	<u>\$ 159,771,515</u>

## 8. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2015 Total employee future benefits	2014 Total employee future benefits
Accrued benefit obligation	\$ 13,890,389	\$ 4,516,086	\$ 18,406,475	\$ 19,259,175
Unamortized actuarial loss	(564,975)	-	(564,975)	(275,705)
<b>Balance, end of year</b>	<b>\$ 13,325,414</b>	<b>\$ 4,516,086</b>	<b>\$ 17,841,500</b>	<b>\$ 18,983,470</b>

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2015 Total employee future benefits	2014 Total employee future benefits
Current year benefit costs	\$ 220,168	\$ 1,061,643	\$ 1,281,811	\$ 1,062,541
Interest on accrued benefit obligation	398,643	117,754	516,397	620,667
<b>Employee future benefits expenses</b>	<b>\$ 618,811</b>	<b>\$ 1,179,397</b>	<b>\$ 1,798,208</b>	<b>\$ 1,683,208</b>
<b>Total payments made during the year</b>			<b>\$ 2,940,178</b>	<b>\$ 2,864,695</b>

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 8. Employee future benefits (continued):

Included in expenses is \$151,945 (2014 – (\$12,751)) for amortization of the actuarial gain/(loss). The unamortized actuarial gain/loss is amortized over the expected average remaining service life of 5.86 years (2014 – 6.32 years).

Retirement benefits:

### (i) Ontario Teacher's Pension Plan:

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

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

All non-teaching and support staff 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 \$4,813,329 (2014 - \$4,723,840) 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.

The OMERS pension plan had a deficit of \$7.1 billion as at December 31, 2014 (2013 - \$8.6 billion) based on the actuarial valuation of the pension benefit obligation. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

### (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.

### (iv) Retirement life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to a certain employee group after retirement. The premiums are based on the Board experience and retirees' premiums are 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 8. Employee future benefits (continued):

Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act.

The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 requires school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

(ii) Long-term disability life insurance and 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.

(iii) Sick leave top-up benefits:

As a result of new changes made in 2013-2014 to the short term sick leave and disability plan, a maximum of eleven 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 \$288,855 (2014 – \$179,406).

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

	2015	2014
Inflation	1.50%	2.00%
Wage and salary escalation	nil	nil
Insurance and health care cost escalation	8.50% decreasing by ¼% each year to 4.00%	8.75% decreasing by ¼% each year to 4.00%
Dental cost escalation	4.50% decreasing by ¼% each year to 3.00%	4.75% decreasing by ¼% each year to 3.00%
Discount on accrued benefit obligations	2.45%	2.85%

Included in the Board's accumulated surplus as of August 31, 2015, the amount of \$1,086,861 (2014 - \$1,351,035) has been internally restricted for these employee future benefit obligations.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

## 9. Tangible capital assets:

Cost	Balance at August 31, 2014	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2015
Land	\$ 6,649,524	\$ 1,810,039	\$ -	\$ (16,044)	\$ 8,443,519
Land improvements	5,101,226	1,041,017	-	-	6,142,243
Buildings	544,381,326	28,683,544	(2,115,553)	(1,900,773)	569,048,544
Portable structures	3,344,416	-	-	-	3,344,416
First-time equipping of schools	3,279,230	931,030	-	-	4,210,260
Furniture	407,198	107,234	(34,319)	-	480,113
Equipment	6,678,846	164,587	(178,781)	-	6,664,652
Computer hardware	5,673,468	579,757	(2,478,100)	-	3,775,125
Computer software	571,526	31,022	(93,041)	-	509,507
Vehicles	1,345,262	231,708	(84,076)	-	1,492,894
Assets under construction	5,756,759	2,593,624	(5,732,437)	-	2,617,946
<b>Total</b>	<b>\$ 583,188,781</b>	<b>\$ 36,173,562</b>	<b>\$(10,716,307)</b>	<b>\$ (1,916,817)</b>	<b>\$ 606,729,219</b>

Accumulated Amortization	Balance at August 31, 2014	Amortization	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2015
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	1,666,530	480,761	5,791	-	2,153,082
Buildings	240,399,711	21,152,081	(6,972,312)	(1,900,773)	252,678,707
Portable structures	1,752,295	171,379	-	-	1,744,893
First-time equipping of schools	821,831	374,474	-	-	1,196,305
Furniture	143,708	44,365	(34,319)	-	153,754
Equipment	2,885,159	824,163	(178,781)	-	3,709,322
Computer hardware	3,565,021	944,859	(2,478,100)	-	2,031,780
Computer software	312,302	108,103	(93,041)	-	327,364
Vehicles	1,051,124	125,687	(78,488)	-	1,098,323
Assets under construction	-	-	-	-	-
<b>Total</b>	<b>\$ 252,597,681</b>	<b>\$ 24,225,872</b>	<b>\$ (9,829,250)</b>	<b>\$ (1,900,773)</b>	<b>\$ 265,093,530</b>

	Net Book Value August 31, 2014	Net Book Value August 31, 2015
Land	\$ 6,649,524	\$ 8,443,519
Land improvements	3,434,696	3,989,161
Buildings	303,981,615	316,369,837
Portable structures	1,592,121	1,599,523
First-time equipping of schools	2,457,399	3,013,955
Furniture	263,490	326,359
Equipment	3,793,687	2,955,330
Computer hardware	2,108,447	1,743,345
Computer software	259,224	182,143
Vehicles	294,138	394,571
Assets under construction	5,756,759	2,617,946
<b>Total</b>	<b>\$ 330,591,100</b>	<b>\$ 341,635,689</b>

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 9. Tangible capital assets (continued):

Assets under construction:

Assets under construction having a value of \$2,617,946 (2014 - \$5,756,759) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$881,468 (2014 - \$6,198,539).

## 10. Accumulated surplus:

Accumulated surplus consists of the following:

	2015	2014
Internally appropriated	\$ 43,788,092	\$ 47,153,727
Externally appropriated		
Employee future benefits	(14,157,867)	(16,773,685)
Interest to be accrued	(1,376,557)	(1,413,593)
School generated funds	5,381,349	5,109,972
Revenues recognized for land	8,486,099	6,729,187
Balance, end of year	\$ 42,121,116	\$ 40,805,608

## 11. Debt charges:

The expenditure for debt charges includes principal and interest payments as follows:

	2015	2014
Principal payments on long-term liabilities	\$ 3,427,233	\$ 3,131,726
Interest payments on long-term liabilities	4,831,186	4,765,148
	\$ 8,258,419	\$ 7,896,874

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## 12. Partnership in Niagara Student Transportation Services:

On March 6, 2007, the Board entered into an agreement with Niagara Catholic District School Board to provide common administration of student transportation services. On March 9, 2007, Niagara Student Transportation Services ("NSTS") was incorporated under the Corporations Act of Ontario. Each Board participates in the shared costs associated with this service for the transportation of their respective students through NSTS.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2015		2014	
	Total	Board portion	Total	Board portion
<b>Financial Position:</b>				
Financial assets	\$ 96,387	\$ 61,302	\$ 82,710	\$ 52,438
Financial liabilities	(139,509)	(88,728)	(153,306)	(97,196)
Non-financial assets	51,662	32,857	85,541	54,233
Accumulated surplus	\$ 8,540	\$ 5,431	\$ 14,945	\$ 9,475
<b>Operations:</b>				
Revenues	\$ 27,335,171	\$ 17,385,169	\$ 27,516,905	\$ 17,445,718
Expenses	27,341,576	17,389,242	27,524,022	17,450,230
Annual deficit	\$ (6,405)	\$ (4,073)	\$ (7,117)	\$ (4,512)

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

## 13. Expenses by object:

The following is a summary of the reported on the consolidated statement of operations and accumulated surplus by object:

	2015 Budget	2015 Actual	2014 Actual
Current expenses:			
Salary and wages	\$ 294,988,526	\$ 296,210,817	\$ 288,468,920
Employee benefits	41,140,629	41,760,721	40,364,998
Staff development	2,723,810	1,726,643	1,730,278
Supplies and services	38,312,131	36,775,956	36,550,257
Interest	4,792,881	5,005,239	4,777,855
Rental expenses	62,382	67,219	60,552
Fees and contract services	22,007,200	24,943,033	23,693,756
Other	799,157	839,192	839,841
Amortization	23,669,119	25,107,340	23,126,294
Net loss on disposal of tangible capital assets	-	31,814	6,166,707
	\$ 428,495,835	\$ 432,467,974	\$ 425,779,458

## 14. 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.

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 rata share of claims experience. The current five year term expires December 31, 2016.

## 15. Employee benefit plans:

The Board has agreed to provide a group health and welfare plan for certain employees and has assumed the liability for payment of benefits under this plan. The Board has contracted with an insurer for coverage of claims paid in excess of \$25,000 per plan member per year. An amount of \$8,050,165 (2014 - \$7,621,819) has been provided for this liability.

## 16. Commitments:

The Board is committed to pay \$14,983,767 for capital expenditures.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2015

---

## **17. Repayment of “55 School Board Trust” funding:**

On June 1, 2003, the Board received \$9,176,721 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

## **18. Litigation and claims:**

The Board is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Board believes it has valid defenses. In Administration's judgment, no material exposure exists on the eventual settlement of such litigation, and accordingly, no provision has been made in the accompanying financial statements.

## **19. Subsequent events**

Subsequent to August 31, 2015, the Ontario Secondary School Teachers' Federation ('OSSTF') and the Elementary Teachers Federation of Ontario ('ETFO') ratified agreements at the central level which includes a voluntary retirement gratuity early payout provision. This provision may have a future impact on the Board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has not occurred for OSSTF and ETFO.

The voluntary retirement gratuity early payout provision provides OSSTF and ETFO members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the board's 2015-16 year financial statements. At this time, the change in the liability cannot be estimated since members of OSSTF and ETFO have until June 30, 2016 to declare their participation in the voluntary retirement gratuity early payout option.