

Consolidated Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Year ended August 31, 2016



DISTRICT SCHOOL BOARD OF NIAGARA

191 CARLTON ST. ■ ST. CATHARINES, ON ■ L2R 7P4 ■ 905-641-1550 ■ DSBN.ORG

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 Audit Committee of 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 the Board's approval of the consolidated 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 'Warren Hoshizaki', is written over a horizontal line.

Warren Hoshizaki
Director of Education & Secretary

November 22, 2016

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

Stacy Veld
Superintendent of Business Services & Treasurer



KPMG LLP

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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, 2016, 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, 2016 and for the year then 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 22, 2016
St. Catharines, Canada

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Financial Position

August 31, 2016, with comparative information for 2015

	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 30,390,387	\$ 74,486,181
Accounts receivable	20,041,791	19,168,647
Accounts receivable – Government of Ontario (note 2)	125,584,563	117,360,527
Investments (note 3)	40,000,000	-
Assets held for sale (note 4)	1,464,463	176,643
Total financial assets	217,481,204	211,191,998
Financial Liabilities		
Temporary borrowing (note 5)	7,932,448	7,586,935
Accounts payable and accrued liabilities	34,942,699	31,182,750
Deferred revenue (note 6)	32,125,943	26,673,973
Deferred capital contributions (note 7)	338,111,210	321,565,770
Net long-term liabilities (note 8)	102,908,710	106,490,823
Employee future benefits (note 9)	16,062,808	17,841,500
Total financial liabilities	532,083,818	511,341,751
Net debt	(314,602,614)	(300,149,753)
Non-Financial Assets		
Prepaid expenses	630,059	635,180
Tangible capital assets (note 10)	358,611,475	341,635,689
Total non-financial assets	359,241,534	342,270,869
Commitments (note 16)		
Subsequent events (note 17)		
Accumulated surplus (note 11)	\$ 44,638,920	\$ 42,121,116

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, 2016, with comparative information for 2015

	Original Budget	2016	2015
Revenue:			
Provincial legislative grants	\$ 385,407,192	\$ 392,911,255	\$ 391,052,723
Provincial grants – other	4,484,977	5,597,382	3,535,837
Government of Canada	-	125,545	66,464
Investment income	1,100,000	1,178,444	1,035,202
Other	3,000,400	5,118,405	4,710,247
School fundraising and other revenue	10,840,150	7,591,543	9,150,005
Amortization of deferred capital contributions	22,539,764	22,566,825	24,233,004
Total revenue	427,372,483	435,089,399	433,783,482
Expenses:			
Instruction	325,523,363	330,403,486	325,883,219
Administration	11,311,387	12,234,434	12,482,842
Transportation	17,280,598	17,071,934	17,956,911
School operation and maintenance	38,491,076	38,286,420	38,794,161
Pupil accommodation	24,892,681	26,393,702	27,707,583
Other	761,434	721,401	764,630
School funded activities	10,840,150	7,460,218	8,878,628
Total expenses (note 14)	429,100,689	432,571,595	432,467,974
Annual surplus (deficit)	(1,728,206)	2,517,804	1,315,508
Accumulated surplus, beginning of year	32,840,351	42,121,116	40,805,608
Accumulated surplus, end of year (note 11)	\$ 31,112,145	\$ 44,638,920	\$ 42,121,116

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Change in Net Debt

Year ended August 31, 2016, with comparative information for 2015

	2016	2015
Annual surplus	\$ 2,517,804	\$ 1,315,508
Tangible capital assets activity:		
Acquisition of tangible capital assets	(41,749,250)	(36,173,562)
Amortization of tangible capital assets	23,309,001	24,225,872
Gain on sale of tangible capital assets	(2,000)	-
Proceeds on sale of tangible capital assets	42,469	5,589
Gains on sale allocated to deferred revenue	(40,469)	-
Transfer to asset held for sale	1,464,463	16,044
Write-downs of tangible capital assets	-	881,468
Other non-financial asset activity:		
Acquisition of prepaid expenses	(630,059)	(666,123)
Use of prepaid expenses	635,180	689,399
Change in net debt	(14,452,861)	(9,705,805)
Net debt, beginning of year	(300,149,753)	(290,443,948)
Net debt, end of year	\$ (314,602,614)	\$ (300,149,753)

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Cash Flows

Year ended August 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 2,517,804	\$ 1,315,508
Items not involving cash:		
Amortization and write-off of tangible capital assets	23,338,883	25,170,968
Gain on sale of capital assets and assets held for sale	(1,242,314)	(4,531,987)
Change in employee benefits and other liabilities	(1,778,692)	(1,141,970)
Amortization of deferred capital contributions	(22,536,943)	(24,233,004)
	298,738	(3,420,485)
Change in non-cash assets and liabilities:		
Accounts receivable	(873,144)	(2,428,246)
Accounts payable and accrued liabilities	3,759,949	2,188,067
Deferred revenue	5,451,970	4,442,378
Prepaid expenses	5,121	23,276
Net change in cash from operating activities	8,343,896	804,990
Capital Activities:		
Proceeds on sale of assets held for sale	1,389,075	5,723,766
Cash used to acquire tangible capital assets	(41,749,250)	(36,173,562)
Net change in cash from capital activities	(40,360,175)	(30,449,796)
Investing Activities:		
Investments	(40,000,000)	-
Net change in cash from investing activities	(40,000,000)	-
Financing Activities:		
Temporary borrowing	345,513	7,586,935
Long-term debt repaid	(3,582,113)	(3,427,233)
Accounts receivable – Government of Ontario	(8,224,036)	2,593,456
Deferred capital contributions	39,082,383	34,231,735
Net change in cash from financing activities	27,621,747	40,984,893
Net change in cash	(44,095,794)	11,340,087
Cash and cash equivalents, beginning of year	74,486,181	63,146,094
Cash and cash equivalents, end of year	\$ 30,390,387	\$ 74,486,181

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

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.

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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

1. Significant accounting policies (continued):

b. Reporting entity:

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

e. Investments:

Temporary investments consist of marketable securities which are liquid temporary investments with maturities between three months and one year at the date of acquisition, and are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

1. Significant accounting policies (continued):

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.

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

Asset	Useful Life - Years
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, 2016

1. Significant accounting policies (continued):

g. 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.

h. 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

i. 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 is 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, 2016

1. Significant accounting policies (continued):

i. 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.

j. 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 1h.

k. 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.

l. 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 9, 2015, 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, 2016

1. Significant accounting policies (continued):

m. 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.

n. 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. 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 \$125,584,563 as at August 31, 2016 (2015 - \$117,360,527) with respect to capital grants.

3. Investments:

Investments are comprised of:

	Cost	2016 Market	Cost	2015 Market
Temporary investments				
Guaranteed Investment Certificates	\$ 8,000,000	\$ 8,000,000	\$ -	\$ -
Long-term investments				
Guaranteed Investment Certificates	32,000,000	32,000,000	-	-
Total investments	\$ 40,000,000	\$ 40,000,000	\$ -	\$ -

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

4. Assets held for sale:

As at August 31, 2016, \$1,464,463 (2015 - \$134,063) related to buildings and \$nil (2015 - \$42,580) related to land were recorded as assets held for sale. During the year, net proceeds of \$1,389,075 (2015 - \$5,723,766) were received on the sale of properties included in assets held for sale. The carrying value of the assets comprising this property was \$176,643 (2015 - \$1,218,004), resulting in a gain of \$1,242,314 on the land and loss of \$29,882 on the building, all of which was deferred for future capital assets purchases according to Ontario Regulation 193/10.

5. Temporary borrowing:

Temporary borrowing reported on the consolidated statement of financial position bear interest at banker's acceptance plus 75 basis points with maximum term of 90 days. Temporary borrowing comprises the following:

	2016	2015
BA note, due September 12, 2016	\$ 1,538,054	\$ -
BA note, due October 11, 2016	2,002,329	-
BA note, due October 11, 2016	190,581	-
BA note, due October 18, 2016	1,644,529	-
BA note, due October 20, 2016	2,556,955	-
BA note, due September 10, 2015	-	1,251,048
BA note, due September 10, 2015	-	1,447,670
BA note, due September 30, 2015	-	3,150,969
BA note, due November 9, 2015	-	1,737,248
Balance, end of year	\$ 7,932,448	\$ 7,586,935

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

6. Deferred revenue:

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

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

	Balance as at August 31, 2015	Externally Restricted Revenue	Revenue recognized in the period	Transfers to deterred capital contributions (note 7)	Balance as at August 31, 2016
School renewal	\$ 14,454,191	\$ 7,626,635	\$ (273,179)	\$ (4,687,687)	\$ 17,119,960
Proceeds of disposition	9,709,233	3,204,861	-	(1,388,844)	11,525,250
Legislative grants - operating	792,313	49,728,460	(49,414,449)	-	1,106,324
Other	1,711,115	2,278,974	(1,615,680)	-	2,374,409
School condition improvement	7,121	-	-	(7,121)	-
Total deferred revenue	\$ 26,673,973	\$ 62,838,930	\$ (51,303,308)	\$ (6,083,652)	\$ 32,125,943

7. 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.

	2016	2015
Balance, beginning of year	\$ 321,565,770	\$ 311,535,225
Additions to deferred capital contributions	32,998,731	18,549,146
Transfer from deferred revenue (note 6)	6,083,652	15,688,178
Transfers to financial assets	-	(5,589)
Amortization of deferred capital contributions	(22,536,943)	(24,201,190)
Balance, end of year	\$ 338,111,210	\$ 321,565,770

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

8. Net long-term liabilities:

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

	2016	2015
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 15,403,584	\$ 15,926,073
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	10,452,527	10,846,162
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	20,604,583	21,502,672
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	3,110,470	3,285,226
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	8,261,290	8,512,508
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	4,660,364	4,798,195
Debenture, bearing interest at the rate of 3.564% due March 9, 2037	16,228,279	16,746,977
Debenture, bearing interest at the rate of 3.799% due March 19, 2038	18,148,915	18,674,721
Debenture, bearing interest at the rate of 4.003% due March 19, 2039	6,038,698	6,198,289
Balance, end of year	\$ 102,908,710	\$ 106,490,823

Principal and interest payments relating to net long-term liabilities of \$102,908,710 outstanding as at August 31, 2016 are due as follows:

	Principal	Interest	Total
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	3,955,728	8,231,935
2021	4,470,156	3,762,995	8,233,151
Thereafter	82,413,880	27,976,044	110,389,924
	\$ 102,908,710	\$ 48,635,265	\$ 151,543,975

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

9. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2016 Total employee future benefits	2015 Total employee future benefits
Accrued benefit obligation	\$ 11,810,530	\$ 5,224,942	\$ 17,035,472	\$ 18,406,475
Unamortized actuarial loss	(972,664)	-	(972,664)	(564,975)
Balance, end of year	\$ 10,837,866	\$ 5,224,942	\$ 16,062,808	\$ 17,841,500

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2016 Total employee future benefits	2015 Total employee future benefits
Current year benefit costs	\$ 111,935	\$ 1,799,826	\$ 1,911,761	\$ 1,281,811
Interest on accrued benefit obligation	325,399	112,261	437,660	516,397
Change due to voluntary early payout	(237,137)	-	(237,137)	-
Employee future benefits expenses	\$ 200,197	\$ 1,912,087	\$ 2,112,284	\$ 1,798,208
Total payments made during the year			\$ 3,890,976	\$ 2,940,178

Included in expenses is \$103,434 (2015 – \$233,489) for amortization of the actuarial loss. The unamortized actuarial gain/loss is amortized over the expected average remaining service life of 5.77 years (2015 – 5.86 years). During the year, the unamortized actuarial loss of \$511,123 (2015 - \$522,759) was experienced.

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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

9. Employee future benefits (continued):

(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, 2016, the Board contributed \$4,918,524 (2015 - \$4,813,329) 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 \$7.0 billion as at December 31, 2015 (2014 - \$7.1 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. 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.

(i) Voluntary Retirement Gratuity Early Payout Provision

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

This provision was also made available to all non-unionized school board employees, including principals and vice-principals. These payments were made prior to 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 gains in the Board's 2015-16 year consolidated financial statements. This resulted in the Board's employee future benefit liability decreasing by \$1,707,354.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

9. Employee future benefits (continued):

(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 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.

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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

9. Employee future benefits (continued):

(iii) Sick leave top-up benefits:

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 \$210,498 (2015 – \$288,855).

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 and is based on the average daily salary and banked sick days of employees 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:

	2016	2015
Inflation	1.50%	1.50%
Wage and salary escalation	nil	nil
Insurance and health care cost escalation	8.25% decreasing by ¼% each year to 4.00%	8.50% decreasing by ¼% each year to 4.00%
Dental cost escalation	4.25% decrease by ¼% each year to 3.00%	4.50% decreasing by ¼% each year to 3.00%
Discount on accrued benefit obligations	2.05%	2.45%

Included in the Board's accumulated surplus as of August 31, 2016, the amount of \$818,487 (2015 - \$1,086,861) has been internally restricted for these employee future benefit obligations.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

10. Tangible capital assets:

Cost	Balance at August 31, 2015	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2016
Land	\$ 8,443,519	\$ 86,956	\$ -	\$ -	\$ 8,530,475
Land improvements	6,142,243	2,817,024	(249,669)	-	8,709,598
Buildings	569,048,544	23,969,346	1,858,739	(4,377,098)	590,499,531
Portable structures	3,344,416	623,331	-	-	3,967,747
First-time equipping of schools	4,210,260	594,315	-	-	4,804,575
Furniture	480,113	15,222	(36,608)	-	458,727
Equipment	6,664,652	219,594	(1,718,419)	-	5,165,827
Computer hardware	3,775,125	1,251,397	(485,240)	-	4,541,282
Computer software	509,507	30,198	(266,719)	-	272,986
Vehicles	1,492,894	414,805	(57,882)	-	1,849,817
Assets under construction	2,617,946	11,727,062	(1,858,739)	-	12,486,269
Total	\$ 606,729,219	\$ 41,749,250	\$ (2,814,537)	\$ (4,377,098)	\$ 641,286,834

Accumulated Amortization	Balance at August 31, 2015	Amortization	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2016
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	2,153,082	506,425	(249,669)	-	2,409,838
Buildings	252,678,707	20,272,641	-	(2,912,635)	270,038,713
Portable structures	1,923,674	251,755	-	-	2,175,429
First-time equipping of schools	1,196,305	450,742	-	-	1,647,047
Furniture	153,754	46,942	(36,608)	-	164,088
Equipment	3,530,541	677,959	(1,718,419)	-	2,490,081
Computer hardware	2,031,780	831,641	(485,240)	-	2,378,181
Computer software	327,364	78,249	(266,719)	-	138,894
Vehicles	1,098,323	192,647	(57,882)	-	1,233,088
Assets under construction	-	-	-	-	-
Total	\$ 265,093,530	\$ 23,309,001	\$ (2,814,537)	\$ (2,912,635)	\$ 282,675,359

	Net Book Value August 31, 2015	Net Book Value August 31, 2016
Land	\$ 8,443,519	\$ 8,530,475
Land improvements	3,989,161	6,299,760
Buildings	316,369,837	320,460,818
Portable structures	1,420,742	1,792,318
First-time equipping of schools	3,013,955	3,157,528
Furniture	326,359	294,639
Equipment	3,134,111	2,675,746
Computer hardware	1,743,345	2,163,101
Computer software	182,143	134,092
Vehicles	394,571	616,729
Assets under construction	2,617,946	12,486,269
Total	\$ 341,635,689	\$ 358,611,475

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

10. Tangible capital assets (continued):

Assets under construction:

Assets under construction having a value of \$12,486,269 (2015 – \$2,617,946) 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 \$nil (2015 - \$881,468).

11. Accumulated surplus:

Accumulated surplus consists of the following:

	2016	2015
Internally appropriated	\$ 43,190,494	\$ 43,788,092
Externally appropriated		
Employee future benefits	(11,264,944)	(14,157,867)
Interest to be accrued	(1,329,779)	(1,376,557)
School generated funds	5,512,674	5,381,349
Revenues recognized for land	8,530,475	8,486,099
Balance, end of year	\$ 44,638,920	\$ 42,121,116

12. Debt charges:

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

	2016	2015
Principal payments on long-term liabilities	\$ 3,582,113	\$ 3,427,233
Interest payments on long-term liabilities	4,676,306	4,831,186
	\$ 8,258,419	\$ 8,258,419

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

13. 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:

	2016		2015	
	Total	Board portion	Total	Board portion
Financial Position:				
Financial assets	\$ 62,168	\$ 39,539	\$ 96,387	\$ 61,302
Financial liabilities	(77,526)	(49,307)	(139,509)	(88,728)
Non-financial assets	18,205	11,578	51,662	32,857
Accumulated surplus	\$ 2,847	\$ 1,810	\$ 8,540	\$ 5,431
Operations:				
Revenues	\$ 25,904,727	\$ 26,475,406	\$ 27,335,171	\$ 17,385,169
Expenses	25,910,420	26,479,027	27,341,576	17,389,242
Annual deficit	\$ (5,693)	\$ (3,621)	\$ (6,405)	\$ (4,073)

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

14. Expenses by object:

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

	2016 Budget	2016 Actual	2015 Actual
Current expenses:			
Salary and wages	\$ 296,030,358	\$ 301,856,587	\$ 296,210,817
Employee benefits	42,034,806	42,280,965	41,760,721
Staff development	2,743,282	1,423,044	1,726,643
Supplies and services	37,482,027	34,000,042	36,775,956
Interest	4,883,317	4,810,530	5,005,239
Rental expenses	62,056	60,071	67,219
Fees and contract services	21,722,807	23,897,582	24,943,033
Other	863,018	903,891	839,192
Amortization	23,279,018	23,338,883	25,107,340
Net loss on disposal of tangible capital assets	-	-	31,814
	<u>\$ 429,100,689</u>	<u>\$ 432,571,595</u>	<u>\$ 432,467,974</u>

15. 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.

16. Commitments:

The Board is committed to pay \$22,691,554 for capital expenditures.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2016

17. Employee benefit plan subsequent event:

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 \$35,000 per plan member per year. An amount of \$8,321,669 (2015 - \$8,050,165) has been provided for this liability.

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 following employee groups: ETFO, OSSTF, CUPE and APSSP, and non-unionized employees (including principals and vice-principals). The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. During the 2016-17 fiscal year, 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. Benefit payments will cease when contributions to the ELHT commence. 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.

18. Repayment of the "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.

19. 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.