

Consolidated Financial Statements of

**DISTRICT SCHOOL BOARD  
ONTARIO NORTH EAST**

Year ended August 31, 2016

## MANAGEMENT REPORT

### Management's Responsibility for the Consolidated Financial Statements

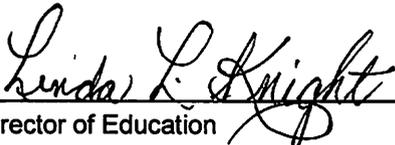
The accompanying consolidated financial statements of the **District School Board Ontario North East** are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 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.

  
\_\_\_\_\_  
Director of Education

  
\_\_\_\_\_  
Superintendent of Business

December 6, 2016



KPMG LLP  
Claridge Executive Centre  
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Sudbury Ontario P3C 1X3  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of District School Board Ontario North East

We have audited the accompanying consolidated financial statements of the **District School Board Ontario North East**, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of operations and accumulated surplus, changes 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 and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 1 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



*Basis for Qualification*

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school generated funds revenue, revenues, financial assets and accumulated surplus.

*Qualified Opinion*

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school generated funds revenue referred to in the preceding paragraph, the consolidated financial statements of the District School Board Ontario North East as at and for the year ended August 31, 2016, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

*Emphasis of Matter*

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

December 6, 2016  
Sudbury, Canada

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Consolidated Statement of Financial Position

August 31, 2016, with comparative information for 2015

|   | 2016                 | 2015                |
|---|----------------------|---------------------|
| <b>Financial assets:</b>                                |                      |                     |
| Cash and cash equivalents                               | \$ 30,553,504        | 33,123,609          |
| Accounts receivable (note 3)                            | 4,868,551            | 5,324,519           |
| Accounts receivable - Approved Capital Funding (note 4) | 39,434,981           | 39,646,918          |
| Long-term investments                                   | 322,510              | 331,284             |
| Other assets  | 747,419              | 598,519             |
| <b>Total financial assets</b>                           | <b>75,926,965</b>    | <b>79,024,849</b>   |
| <b>Financial liabilities:</b>                           |                      |                     |
| Accounts payable and accrued liabilities (note 5)       | 8,805,924            | 12,691,188          |
| Deferred revenue (note 7)                               | 2,682,118            | 3,146,579           |
| Deferred capital contributions (note 8)                 | 106,911,121          | 105,105,453         |
| Net long-term liabilities (note 9)                      | 45,000,665           | 47,066,252          |
| Employee future benefits liability (note 10)            | 3,501,839            | 3,934,829           |
| <b>Total financial liabilities</b>                      | <b>166,901,667</b>   | <b>171,944,301</b>  |
| <b>Net debt</b>   | <b>(90,974,702)</b>  | <b>(92,919,452)</b> |
| <b>Non-financial assets:</b>                            |                      |                     |
| Prepaid expenses  | 218,056              | 173,409             |
| Tangible capital assets (note 12)                       | 114,535,020          | 114,113,625         |
| <b>Total non-financial assets</b>                       | <b>114,753,076</b>   | <b>114,287,034</b>  |
| Commitments and contingencies (note 17)                 |                      |                     |
| Subsequent event (note 20)                              |                      |                     |
| <b>Accumulated surplus (note 14)</b>                    | <b>\$ 23,778,374</b> | <b>21,367,582</b>   |

See accompanying notes to the consolidated financial statements.

  
Linda L. Knight Director of Education and Secretary of the Board

  
Doug Shearer Chair of the Board

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Consolidated Statement of Operations and Accumulated Surplus

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

|  | 2016<br>Budget       | 2016<br>Actual     | 2015<br>Actual     |
|--|----------------------|--------------------|--------------------|
| <b>Revenue:</b>                                  |                      |                    |                    |
| Municipal grants                                 | \$ 17,033,392        | 18,348,543         | 17,395,110         |
| Government of Ontario grants:                    |                      |                    |                    |
| - Grants for Student Needs                       | 85,140,406           | 83,953,054         | 83,867,040         |
| - Other  | 1,851,587            | 2,391,041          | 1,279,572          |
| - Amortization of deferred capital contributions | 5,954,754            | 6,641,295          | 6,067,682          |
| Indigenous fees and other                        | 1,564,750            | 1,767,741          | 1,773,219          |
| Other revenues - School boards                   | 4,057,119            | 4,237,484          | 4,291,186          |
| Other fees and revenues                          | 635,350              | 2,470,255          | 1,346,447          |
| Investment income                                | 200,000              | 310,573            | 391,840            |
| School generated funds                           | 2,281,804            | 2,206,224          | 2,194,193          |
| <b>Total revenue</b>                             | <b>118,719,162</b>   | <b>122,326,210</b> | <b>118,606,289</b> |
| <b>Expenses: (note 11)</b>                       |                      |                    |                    |
| Instruction                                      | 78,519,031           | 78,635,122         | 77,746,356         |
| Administration                                   | 4,297,475            | 4,632,275          | 4,366,123          |
| Transportation                                   | 11,162,350           | 11,035,808         | 11,167,571         |
| Pupil accommodation                              | 22,081,611           | 22,579,226         | 22,405,610         |
| Other  | 829,977              | 892,013            | 915,948            |
| School funded activities                         | 2,165,631            | 2,140,974          | 2,155,727          |
| <b>Total expenses</b>                            | <b>119,056,075</b>   | <b>119,915,418</b> | <b>118,757,335</b> |
| <b>Annual surplus (deficit)</b>                  | <b>(336,913)</b>     | <b>2,410,792</b>   | <b>(151,046)</b>   |
| Accumulated surplus, beginning of year           | 21,367,582           | 21,367,582         | 21,518,628         |
| <b>Accumulated surplus, end of year</b>          | <b>\$ 21,030,669</b> | <b>23,778,374</b>  | <b>21,367,582</b>  |

See accompanying notes to the consolidated financial statements.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Consolidated Statements of Changes in Net Debt

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

|   | 2016<br>Budget  | 2016<br>Actual | 2015<br>Actual |
|---|-----------------|----------------|----------------|
| Annual surplus (deficit)                        | \$ (336,913)    | 2,410,792      | (151,046)      |
| <b>Tangible capital assets:</b>                 |                 |                |                |
| Acquisition of tangible capital assets          | (9,449,018)     | (7,593,323)    | (10,958,625)   |
| Amortization of tangible capital assets         | 6,485,389       | 7,171,928      | 6,621,395      |
| Proceeds on disposal of tangible capital assets | -               | -              | 197,586        |
| Loss on sale of tangible capital assets         | -               | -              | 967,815        |
|   | (2,963,629)     | (421,395)      | (3,171,829)    |
| <b>Prepaid expenses:</b>                        |                 |                |                |
| Acquisition of prepaid expenses                 | -               | (476,836)      | (478,489)      |
| Use of prepaid expenses                         | -               | 432,189        | 435,358        |
|   | -               | (44,647)       | (43,131)       |
| <b>Increase (decrease) in net debt</b>          | (3,300,542)     | 1,944,750      | (3,366,006)    |
| Net debt, beginning of year                     | (92,919,452)    | (92,919,452)   | (89,553,446)   |
| <b>Net debt, end of year</b>                    | \$ (96,219,994) | (90,974,702)   | (92,919,452)   |

See accompanying notes to consolidated financial statements.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Consolidated Statement of Cash Flows

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

|   | 2016                 | 2015              |
|---|----------------------|-------------------|
| Operating transactions:   |                      |                   |
| Annual surplus (deficit)  | \$ 2,410,792         | (151,046)         |
| Items not involving cash:   |                      |                   |
| Amortization of tangible capital assets   | 7,171,928            | 6,621,395         |
| Amortization of deferred capital contributions  | (6,641,295)          | (6,067,682)       |
| Loss on sale of tangible capital assets   | -                    | 967,815           |
|   | 2,941,425            | 1,370,482         |
| Change in non-cash assets and liabilities:  |                      |                   |
| Decrease in accounts receivable   | 455,968              | 4,259,313         |
| Increase in other assets  | (148,900)            | (45,075)          |
| Increase (decrease) in accounts payable and accrued liabilities                             | (3,885,264)          | 1,520,437         |
| Decrease in deferred revenue  | (464,461)            | (240,261)         |
| Decrease in employee future benefits  | (432,990)            | (248,415)         |
| Increase in prepaid expenses  | (44,647)             | (43,131)          |
| Cash provided by operating transactions   | (1,578,869)          | 6,573,350         |
| Capital transactions:   |                      |                   |
| Cash used to acquire tangible capital assets  | (7,593,323)          | (10,958,625)      |
| Proceeds on disposal of tangible capital assets   | -                    | 197,586           |
| Cash applied to capital transactions  | (7,593,323)          | (10,761,039)      |
| Investing transactions:   |                      |                   |
| Decrease (increase) in long-term investments  | 8,774                | (3,945)           |
| Cash used in investing transactions   | 8,774                | (3,945)           |
| Financing transactions:   |                      |                   |
| Net long-term debt principal repayments   | (2,065,587)          | (1,955,226)       |
| Decrease in accounts receivable - Approved Capital Funding                                  | 211,937              | 617,305           |
| Reduction in deferred capital contributions relating to disposal of tangible capital assets | -                    | (1,156,901)       |
| Additions to deferred capital contributions   | 8,446,963            | 10,958,621        |
| Cash provided by financing transactions   | 6,593,313            | 8,463,799         |
| <b>Change in cash and cash equivalents</b>  | <b>(2,570,105)</b>   | <b>4,272,165</b>  |
| Cash and cash equivalents, beginning of year  | 33,123,609           | 28,851,444        |
| <b>Cash and cash equivalents, end of year</b>   | <b>\$ 30,553,504</b> | <b>33,123,609</b> |

See accompanying notes to consolidated financial statements.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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### 1. Significant accounting policies:

The consolidated financial statements of the District School Board Ontario North East (the "Board") have been prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

#### (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 Government 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 and accumulated surplus 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 amortization, 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 Ontario Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the statement of operations and accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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

(b) Reporting entity:

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

- i) School generated funds: the assets, liabilities, revenues, expenses that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.
- ii) The Board is one of three school boards that entered into a partnership agreement to share certain costs related to transportation. As a result, the Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro-rata share of revenue and expenses.

(c) Trust funds:

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

(d) Cash and cash equivalents:

Cash and cash equivalents consist 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) Long-term investments:

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost which approximates market.

(f) Deferred revenue:

The Board receives amounts pursuant to legislation, regulation or agreement that may only be used for certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(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 of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions when the asset is acquired as required under Ontario Regulation 395/11 of the Financial Administration Act. Amounts are recognized into revenue at the same rate as the related tangible capital asset is amortized.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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

#### (h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health care benefits, retirement gratuity, worker's compensation, long-term and disability benefits. The Board has adopted the following accounting 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, health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") 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.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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

#### (i) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost include 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 records were not available, other methods were used to estimate the cost and accumulated amortization.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

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|                                |               |
|--------------------------------|---------------|
| Land improvements              | 15 years      |
| Buildings                      | 20 - 40 years |
| Leased assets - buildings      | 3 years       |
| Portable structures            | 20 years      |
| First time equipping           | 10 years      |
| Furniture and equipment        | 5 - 10 years  |
| Vehicles                       | 5 - 10 years  |
| Computer hardware and software | 5 years       |

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Assets under construction have not been amortized. Amortization will commence when the asset is put into service.

Amortization is taken at 50% of the above rates in the year of acquisition.

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

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

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

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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

(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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are referred to as deferred capital contributions ("DCC") as described in note 1(g).

(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 proceeds of disposition, special education, transition, distance schools and school renewal 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 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.

(m) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) 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.

Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known. Significant estimates include assumptions used in:

- (i) estimating provisions for accrued liabilities, and
- (ii) performing actuarial valuations of employee future benefits liabilities

(n) Accumulated surplus – available for compliance, internally appropriated:

Certain amounts are set aside as internally appropriated funds for future operating and capital purposes. Increases / decreases to and/or from internally appropriated amounts are adjusted when approved.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 2. School leave program:

Under the school leave program, teachers have the opportunity to be paid 80% of their salaries over four years. The remaining 20% is accumulated in a bank account to cover 80% of their salaries in the fifth year when they take a year leave of absence. The cash and related liability in the amount of \$56,224 (2015 - \$329,438) have been included with cash and cash equivalents and accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

### 3. Accounts receivable:

|                       | 2016         | 2015      |
|-----------------------|--------------|-----------|
| Municipalities        | \$ 1,747,971 | 1,652,175 |
| Government of Canada  | 1,028,322    | 1,298,945 |
| Government of Ontario | 26,842       | 26,842    |
| Other school boards   | 1,380,977    | 685,473   |
| Other                 | 684,439      | 1,661,084 |
|                       | \$ 4,868,551 | 5,324,519 |

### 4. Accounts receivable - Approved Capital Funding:

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009 - 2010. 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.

### 5. Accounts payable and accrued liabilities:

|                       | 2016         | 2015       |
|-----------------------|--------------|------------|
| Trade payables        | \$ 4,290,016 | 6,581,417  |
| Accrued liabilities   | 3,561,888    | 3,818,179  |
| Government of Ontario | 656,895      | 1,646,660  |
| Other                 | 297,125      | 569,932    |
| Other school boards   | —            | 75,000     |
|                       | \$ 8,805,924 | 12,691,188 |

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 6. Temporary borrowing:

The Board has an authorized operating credit facility of \$10,000,000 at prime less .50% to address operating requirements and/or to bridge capital expenditures. As at August 31, 2016, there are no amounts drawn from this line of credit. The line of credit is unsecured and due on demand.

### 7. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside by the Board for specific purposes, legislation, regulation or agreement.

Deferred revenue is comprised of:

|   | 2016         | 2015      |
|---|--------------|-----------|
| Amounts restricted by legislation, regulation or agreement: |              |           |
| SEA formula based funding                                   | \$ 55,837    | 152,677   |
| Child Care Capital Retrofit                                 | 5,300        | 5,300     |
| School Renewal  | 731,636      | 225,884   |
| Renewable energy - capital                                  | 99,687       | 155,289   |
| Proceeds of disposition                                     | 1,246,576    | 2,107,877 |
| Other   | 365,929      | 218,027   |
|   | 2,504,965    | 2,865,054 |
| Amounts restricted by external contributor                  | 177,153      | 281,525   |
|   | \$ 2,682,118 | 3,146,579 |

### 8. 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                  | \$ 105,105,453 | 101,371,415 |
| Additions to deferred capital contributions | 8,446,963      | 10,958,621  |
| Revenue recognized during the year          | (6,641,295)    | (6,067,682) |
| Disposals of tangible capital assets        | –              | (1,156,901) |
| Balance, end of year                        | \$ 106,911,121 | 105,105,453 |

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 9. Net long-term liabilities:

Net long-term liabilities consist of the following:

|   | 2016                 | 2015              |
|---|----------------------|-------------------|
| Loans payable to the Ontario Financing Authority with interest rates ranging from 3.56% to 5.23%, due in semi-annual installments including interest, with maturity dates ranging from November 2031 to March 2038  | \$ 20,877,933        | 21,607,877        |
| Loans payable to Corpfinance International Limited with interest rates ranging from 6.15% to 7.04%, due in semi-annual installments including interest, with maturity dates ranging from July 2023 to June 2028     | 14,586,231           | 15,480,089        |
| Loans payable to Manufacturers Life Insurance Co. with interest rates ranging from 4.92% to 5.36%, due in semi-annual installments including interest, with maturity dates ranging from April 2028 to December 2031 | 9,536,501            | 9,978,286         |
|   | <u>\$ 45,000,665</u> | <u>47,066,252</u> |

The principal payments on the long-term liabilities are as follows:

|            |              |
|------------|--------------|
| 2017       | \$ 2,182,519 |
| 2018       | 2,306,434    |
| 2019       | 2,437,767    |
| 2020       | 2,576,983    |
| 2021       | 2,724,573    |
| Thereafter | 32,772,389   |

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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### 10. Employee future benefits (in thousands):

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

#### a) Plan changes:

In 2013, changes were made to the short term leave and disability plan. Under the new short-term leave and disability sick leave plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short-term leave and disability plan in that year. A provision has been established representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Effective September 1, 2013, any new retiree accessing health care benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

#### b) Retirement benefits:

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

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

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

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2016, the Board contributed \$1,518,146 (2015 - \$1,450,474) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

##### (iii) Retirement gratuities:

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

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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### 10. Employee future benefits (continued):

#### b) Other employee future benefits (continued):

##### (iii) Retirement gratuities (continued):

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

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

This provision was also made available to all non-unionized school board employees, including principals and vice-principals. These payments were made by August 31, 2016. (first pay period in September 2016 for CUPE).

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 financial statements.

#### c) 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. The plan changes made in 2012 requires the Board to provide a salary top-up to a maximum of 4.5 years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision.

##### (ii) Long-term disability, dental and health care benefits:

The Board provides 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 are not included in this plan.

##### (iii) Accumulated sick leave:

As a result of the plan changes, the Board's liability relating to non-vesting accumulated sick leave has been eliminated effective September 1, 2012.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 10. Employee future benefits (continued):

#### c) Other employee future benefits (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2016. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

|  | 2016 | 2015 |
|--|------|------|
|  | %    | %    |
| Inflation                                      | 1.5  | 1.5  |
| Discount on accrued benefit obligations        | 2.05 | 2.45 |
| Discount on accrued benefit obligations - WSIB | 2.05 | 2.45 |

#### Assumed health care cost trend rates:

|                                    | 2016  | 2015   |
|------------------------------------|---|--|
| Health care cost escalation        | 8.25% for 2016/17 reducing by ¼% in each year to an ultimate rate of 4.0% | 8.5% for 2015/16 reducing by ¼% in each year to an ultimate rate of 4.0% |
| Dental care cost escalation        | 4.25% for 2016/17 reducing by ¼% in each year to an ultimate rate of 3%   | 4.5% for 2015/16 reducing by ¼% in each year to an ultimate rate of 3%   |
| Health care cost escalation - WSIB | 4.0   | 4.0  |

The Board has internally appropriated an amount for retirement gratuities totaling \$95,830 (2015 - \$95,830).

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 10. Employee future benefits (continued):

Information with respect to the Board's retirement and other employee future benefit liability is as follows:

|  |                     |                                | 2016                           | 2015                           |
|--|---------------------|--------------------------------|--------------------------------|--------------------------------|
|  | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Accrued benefit liability, beginning of year | \$ 2,761,949        | 1,172,880                      | 3,934,829                      | 4,183,244                      |
| Expenses recognized for the year:            |                     |                                |                                |                                |
| Current service costs                        | -                   | 471,824                        | 471,824                        | (39,093)                       |
| Interest on accrued benefit obligation       | 67,170              | 29,919                         | 97,089                         | 114,377                        |
| Amortization of actuarial losses (gains)     | 19,659              | 14,590                         | 34,249                         | (1,633)                        |
|  | 86,829              | 516,333                        | 603,162                        | 73,651                         |
| Benefits paid for the year                   | (680,755)           | (277,466)                      | (958,221)                      | (322,066)                      |
| Changes due to voluntary early payout        | (77,931)            | -                              | (77,931)                       | -                              |
| Accrued benefits liability, end of year      | \$ 2,090,092        | 1,411,747                      | 3,501,839                      | 3,934,829                      |

|   |                     |                                | 2016                           | 2015                           |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|
|   | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Accrued employee future benefit obligations | \$ 2,308,342        | 1,411,747                      | 3,720,089                      | 4,069,037                      |
| Unamortized actuarial losses                | (218,250)           | -                              | (218,250)                      | (134,208)                      |
|   | \$ 2,090,092        | 1,411,747                      | 3,501,839                      | 3,934,829                      |

<sup>1</sup> Excluding pension contributions to multi-employer pension plans, described in note 10(b).

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 10. Employee future benefits (continued):

#### d) Benefit Plan Future Changes:

Currently, the Board provides health, dental LTD, 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: OSSTF, EFTO, CUPE, COPE (OCEW), 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. Starting February 1, 2017 for OSSTF and EFTO and by August 31, 2017 for the remaining groups, the Board will no longer be responsible to provide benefits to the above-mentioned groups. The Board will transfer to the ELHTs an amount per full-time equivalency based on the 2014-15 actual benefit costs + 8.16% representing inflationary increases for 2015-16 and 2016-17. In addition, the Ministry of Education will provide an additional \$300 per FTE for active employees to the school board. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

### 11. Expenses by object:

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

|   | 2016<br>Budget | 2016<br>Actual | 2015<br>Actual |
|---|----------------|----------------|----------------|
| Current expenses:                       |                |                |                |
| Salary and wages                        | \$ 70,913,566  | 72,909,245     | 71,236,568     |
| Employee benefits                       | 10,048,047     | 9,848,920      | 9,767,545      |
| Staff development                       | 1,164,947      | 724,606        | 748,025        |
| Supplies and services                   | 14,263,113     | 13,458,708     | 14,305,182     |
| Interest                                | 2,427,723      | 2,406,692      | 2,518,119      |
| Rental                                  | 294,050        | 132,818        | 156,973        |
| Fees and contract services              | 13,078,347     | 12,808,587     | 12,995,708     |
| Other                                   | 380,893        | 453,914        | 407,820        |
| Amortization of tangible capital assets | 6,485,389      | 7,171,928      | 6,621,395      |
|   | \$ 119,056,075 | 119,915,418    | 118,757,335    |

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

### 12. Tangible capital assets:

| Cost                      | Balance<br>August 31,<br>2015 | Additions<br>and<br>Transfers | Disposals<br>and<br>Write-offs | Balance at<br>August 31,<br>2016 |
|---------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------------------|
| Land                      | \$ 1,150,153                  | \$ -                          | \$ -                           | \$ 1,150,153                     |
| Land improvements         | 5,943,968                     | 1,047,711                     | -                              | 6,991,679                        |
| Buildings                 | 156,769,290                   | 5,627,430                     | -                              | 162,396,720                      |
| Portable structures       | 143,672                       | -                             | -                              | 143,672                          |
| Leased assets - buildings | 88,613                        | -                             | -                              | 88,613                           |
| First time equipping      | 1,337,127                     | -                             | (1,316,870)                    | 20,257                           |
| Furniture                 | 17,938                        | 13,284                        | -                              | 31,222                           |
| Equipment                 | 3,489,037                     | 282,268                       | (34,040)                       | 3,737,265                        |
| Computer hardware         | 3,887,293                     | 679,047                       | (279,666)                      | 4,286,674                        |
| Computer software         | 847,543                       | 105,478                       | -                              | 953,021                          |
| Vehicles                  | 385,770                       | 30,023                        | -                              | 415,793                          |
| Construction in progress  | 4,961,742                     | (191,918)                     | -                              | 4,769,824                        |
| <b>Total</b>              | <b>\$ 179,022,146</b>         | <b>\$ 7,593,323</b>           | <b>\$ (1,630,576)</b>          | <b>\$ 184,984,893</b>            |

| Accumulated Amortization  | Balance<br>August 31,<br>2015 | Amortization<br>and<br>write-downs | Disposals             | Balance at<br>August 31,<br>2016 |
|---------------------------|-------------------------------|------------------------------------|-----------------------|----------------------------------|
| Land improvements         | \$ 1,595,991                  | \$ 465,372                         | \$ -                  | \$ 2,061,363                     |
| Buildings                 | 58,840,480                    | 5,063,841                          | -                     | 63,904,321                       |
| Portable structures       | 46,694                        | 7,184                              | -                     | 53,878                           |
| Leased assets - buildings | 88,613                        | -                                  | -                     | 88,613                           |
| First time equipping      | 1,259,904                     | 67,869                             | (1,316,870)           | 10,903                           |
| Furniture                 | 8,267                         | 2,458                              | -                     | 10,725                           |
| Equipment                 | 1,169,444                     | 555,523                            | (34,040)              | 1,690,927                        |
| Computer hardware         | 1,482,766                     | 810,166                            | (279,666)             | 2,013,266                        |
| Computer software         | 191,751                       | 153,246                            | -                     | 344,997                          |
| Vehicles                  | 224,611                       | 46,269                             | -                     | 270,880                          |
| <b>Total</b>              | <b>\$ 64,908,521</b>          | <b>\$ 7,171,928</b>                | <b>\$ (1,630,576)</b> | <b>\$ 70,449,873</b>             |

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

Notes to Consolidated Financial Statements

Year ended August 31, 2016

## 12. Tangible capital assets (continued):

|                           | Net book value<br>August 31,<br>2015 | Net book value<br>August 31,<br>2016 |
|---------------------------|--------------------------------------|--------------------------------------|
| Land                      | \$ 1,150,153                         | \$ 1,150,153                         |
| Land improvements         | 4,347,977                            | 4,930,316                            |
| Buildings                 | 97,928,810                           | 98,492,399                           |
| Portable structures       | 96,978                               | 89,794                               |
| Leased assets - buildings | -                                    | -                                    |
| First time equipping      | 77,223                               | 9,354                                |
| Furniture                 | 9,671                                | 20,497                               |
| Equipment                 | 2,319,593                            | 2,046,338                            |
| Computer hardware         | 2,404,527                            | 2,273,408                            |
| Computer software         | 655,792                              | 608,024                              |
| Vehicles                  | 161,159                              | 144,913                              |
| Construction in progress  | 4,961,742                            | 4,769,824                            |
| <b>Total</b>              | <b>\$ 114,113,625</b>                | <b>\$ 114,535,020</b>                |

|                           | Balance<br>August 31,<br>2014 | Additions<br>and<br>Transfers | Disposals<br>and<br>Write-offs | Balance at<br>August 31,<br>2015 |
|---------------------------|-------------------------------|-------------------------------|--------------------------------|----------------------------------|
| Land                      | \$ 1,158,653                  | \$ -                          | \$ (8,500)                     | \$ 1,150,153                     |
| Land improvements         | 5,242,481                     | 701,487                       | -                              | 5,943,968                        |
| Buildings                 | 154,780,708                   | 4,256,336                     | (2,267,754)                    | 156,769,290                      |
| Portable structures       | 143,672                       | -                             | -                              | 143,672                          |
| Leased assets - buildings | 88,613                        | -                             | -                              | 88,613                           |
| First time equipping      | 1,437,910                     | -                             | (100,783)                      | 1,337,127                        |
| Furniture                 | 10,530                        | 7,408                         | -                              | 17,938                           |
| Equipment                 | 3,043,568                     | 587,333                       | (141,864)                      | 3,489,037                        |
| Computer hardware         | 3,023,679                     | 1,424,240                     | (560,626)                      | 3,887,293                        |
| Computer software         | 484,617                       | 362,926                       | -                              | 847,543                          |
| Vehicles                  | 371,978                       | 13,792                        | -                              | 385,770                          |
| Construction in progress  | 1,356,639                     | 3,605,103                     | -                              | 4,961,742                        |
| <b>Total</b>              | <b>\$ 171,143,048</b>         | <b>\$ 10,958,625</b>          | <b>\$ (3,079,527)</b>          | <b>\$ 179,022,146</b>            |

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

Notes to Consolidated Financial Statements

Year ended August 31, 2016

## 12. Tangible capital assets (continued):

| Accumulated Amortization  | Balance<br>August 31,<br>2014 | Amortization<br>and<br>write-downs | Disposals      | Balance at<br>August 31,<br>2015 |
|---------------------------|-------------------------------|------------------------------------|----------------|----------------------------------|
| Land improvements         | \$ 1,189,623                  | \$ 406,368                         | \$ -           | \$ 1,595,991                     |
| Buildings                 | 55,210,738                    | 4,740,595                          | (1,110,853)    | 58,840,480                       |
| Portable structures       | 39,510                        | 7,184                              | -              | 46,694                           |
| Leased assets - buildings | 88,613                        | -                                  | -              | 88,613                           |
| First time equipping      | 1,221,935                     | 138,752                            | (100,783)      | 1,259,904                        |
| Furniture                 | 6,844                         | 1,423                              | -              | 8,267                            |
| Equipment                 | 815,622                       | 495,686                            | (141,864)      | 1,169,444                        |
| Computer hardware         | 1,359,518                     | 683,874                            | (560,626)      | 1,482,766                        |
| Computer software         | 86,815                        | 104,936                            | -              | 191,751                          |
| Vehicles                  | 182,034                       | 42,577                             | -              | 224,611                          |
| Total                     | \$ 60,201,252                 | \$ 6,621,395                       | \$ (1,914,126) | \$ 64,908,521                    |

|                           | Net book value<br>August 31,<br>2014 | Net book value<br>August 31,<br>2015 |
|---------------------------|--------------------------------------|--------------------------------------|
| Land                      | \$ 1,158,653                         | \$ 1,150,153                         |
| Land improvements         | 4,052,858                            | 4,347,977                            |
| Buildings                 | 99,569,970                           | 97,928,810                           |
| Portable structures       | 104,162                              | 96,978                               |
| Leased assets - buildings | -                                    | -                                    |
| First time equipping      | 215,975                              | 77,223                               |
| Furniture                 | 3,686                                | 9,671                                |
| Equipment                 | 2,227,946                            | 2,319,593                            |
| Computer hardware         | 1,664,161                            | 2,404,527                            |
| Computer software         | 397,802                              | 655,792                              |
| Vehicles                  | 189,944                              | 161,159                              |
| Construction in progress  | 1,356,639                            | 4,961,742                            |
| Total                     | \$ 110,941,796                       | \$ 114,113,625                       |

During the year, the Board identified \$1,630,576 (2015 - \$803,273) related to equipment and computers that qualify as "assets permanently removed from service". These properties were included in the prior year's net book value.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

Notes to Consolidated Financial Statements

Year ended August 31, 2016

## 13. Ontario School Board Insurance Exchange (OSBIE):

The School Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act.

OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24 million per occurrence.

The premiums over a five year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2016.

## 14. Accumulated surplus:

Accumulated surplus consists of the following:

|   | 2016          | 2015          |
|---|---------------|---------------|
| <b>Available for compliance – unappropriated</b>            |               |               |
| Total operating accumulated surplus                         | \$ 20,666,824 | \$ 18,895,384 |
| <b>Available for compliance – internally appropriated</b>   |               |               |
| Retirement gratuities                                       | 95,830        | 95,830        |
| Pay equity  | 1,000,000     | 1,000,000     |
| Transportation  | 808,359       | 808,359       |
| Student iPad initiative                                     | 1,988,340     | 1,988,340     |
| Total accumulated surplus available for compliance          | 3,892,529     | 3,892,529     |
| <b>Unavailable for compliance – externally appropriated</b> |               |               |
| Employee future benefits                                    | (3,123,668)   | (3,676,739)   |
| Other   | (478,210)     | (499,241)     |
| School generated funds                                      | 1,670,747     | 1,605,497     |
| Revenue recognized for land                                 | 1,150,152     | 1,150,152     |
| Total externally appropriated                               | (780,979)     | (1,420,331)   |
| Total accumulated surplus                                   | \$ 23,778,374 | \$ 21,367,582 |

## 15. Trust funds:

Trust funds administered by the Board amounting to \$567,438 (2015 - \$575,582) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

Notes to Consolidated Financial Statements

Year ended August 31, 2016

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## 16. Partnership in Tri-Board Transportation Consortium:

On April 26, 2005, the Board entered into an agreement with Conseil Scolaire Public du Nord-Est de l'Ontario and Northeastern Catholic District School Board in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement decisions related to the financial and operating activities of the Tri-Board are shared. No partner is in a position to exercise unilateral control.

Since the Board is in charge of administering the consortium, the Board's consolidated financial statements reflect all the transportation expenses of the Tri-Board. The revenue includes the recoveries from the other boards for their share of the expenses.

The total Tri-Board transportation expenses are \$11,067,696 (2015 - \$11,197,929) and the recoveries from the other boards are \$4,459,408 (2015 - \$3,590,842)

At year-end, the Board has a receivable of \$889,957 (2015 - \$148,500) from the two other Boards.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the partners.

## 17. Commitments and contingencies:

### (a) Leases and service agreements:

The Board has entered into various lease and service agreements for vehicles, equipment and building. Minimum payments (including taxes excluding tax rebates) for the next three years are approximately as follows:

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|      |    |         |
|------|----|---------|
| 2017 | \$ | 133,352 |
| 2018 |    | 115,903 |
| 2019 |    | 39,412  |

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### (b) Contractual obligations:

The Board has a total of \$3,339,678 of contractual obligations at year end relating to various projects.

### (c) Other commitments:

The Board has committed to provide a total of 15 annual contributions of \$8,000 to the Englehart and Area Community Complex. As at August 31, 2016, there are 6 remaining annual contributions for a total of \$40,000 (2015 - \$48,000).

# DISTRICT SCHOOL BOARD ONTARIO NORTH EAST

## Notes to Consolidated Financial Statements

Year ended August 31, 2016

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### **17. Commitments and contingencies (continued):**

#### (d) Contingencies:

The Board is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss if any, from these contingencies will be accounted for in the year in which the matters are resolved. Management is of the opinion that these matters are mitigated by adequate insurance coverage.

### **18. Comparative information:**

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.

### **19. Changes in accounting policies:**

The Board has implemented Public Sector Accounting Board ("PSAB") section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have 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. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Board's financial statements.