

Report and consolidated financial statements of

# **Halton District School Board**

August 31, 2016

# Halton District School Board

August 31, 2016

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## Management Report

### Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of the Halton District School Board are the responsibility of the Board's 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 Deloitte LLP, independent external auditors appointed by the Board of Trustees. The accompanying Independent Auditor's 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 Services  
And Treasurer

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Stuart Miller

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Lucy Veerman

December 7, 2016



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## Independent Auditor's Report

To the Trustees of the  
Halton District School Board

We have audited the accompanying consolidated financial statements of Halton District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2016, and the consolidated statements of operations, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 1 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements of Halton District School Board 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 "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
December 7, 2016

# Halton District School Board

## Consolidated statement of financial position as at August 31, 2016

	2016	2015
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	73,146,250	37,284,584
Accounts receivable	39,664,238	38,465,181
Accounts receivable - Government of Ontario (Note 2)	294,331,912	313,316,216
	<b>407,142,400</b>	<b>389,065,981</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	53,084,959	49,781,493
Other (Note 4)	3,254,469	3,783,411
Net long-term liabilities (Note 5)	284,549,505	294,925,519
Deferred revenue (Note 7)	30,818,283	24,652,562
Employee future benefits payable (Note 9)	28,947,258	34,861,537
Deferred capital contributions (Note 8)	536,976,209	541,350,856
	<b>937,630,683</b>	<b>949,355,378</b>
<b>Net debt</b>	<b>(530,488,283)</b>	<b>(560,289,397)</b>
<b>Non-financial assets</b>		
Prepaid expenses	1,134,802	1,395,441
Tangible capital assets (Note 10)	723,513,092	721,313,023
	<b>724,647,894</b>	<b>722,708,464</b>
<b>Accumulated surplus (Note 11)</b>	<b>194,159,611</b>	<b>162,419,067</b>

Contractual obligations and contingent liabilities (Note 14)

Approved by the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

# Halton District School Board

## Consolidated statement of operations year ended August 31, 2016

	Budget	2016 Actual	2015 Actual
	\$	\$	\$
<b>Revenues</b>			
Provincial grants - Grants for Student Needs	622,921,004	631,538,265	612,086,156
Provincial grants - other	10,300,921	11,253,962	9,948,035
Investment income	1,225,000	1,224,171	1,328,376
Federal grants	3,443,742	3,102,561	3,265,277
School fundraising and other revenues	19,000,000	18,962,216	19,619,385
Deferred capital contributions - grants recognized	25,493,805	27,934,486	25,991,259
Other fees and revenues	14,822,583	28,252,155	26,926,879
<b>Total revenues</b>	<b>697,207,055</b>	<b>722,267,816</b>	699,165,367
<b>Expenses</b>			
Instruction	533,855,082	534,636,817	518,487,830
Administration	14,383,056	13,709,433	13,743,027
Transportation	14,870,357	15,004,348	14,805,289
Pupil accommodation	99,889,421	101,194,103	99,409,493
Other	4,263,898	7,126,428	8,129,898
School funded activities	19,000,000	18,856,143	19,499,826
<b>Total expenses (Note 12)</b>	<b>686,261,814</b>	<b>690,527,272</b>	674,075,363
Annual surplus	10,945,241	31,740,544	25,090,004
Accumulated surplus, beginning of year	147,002,941	162,419,067	137,329,063
<b>Accumulated surplus, end of year (Note 11)</b>	<b>157,948,182</b>	<b>194,159,611</b>	162,419,067

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

# Halton District School Board

## Consolidated statement of cash flows year ended August 31, 2016

	2016	2015
	\$	\$
<b>Operating transactions</b>		
Annual surplus	31,740,544	25,090,004
Non-cash items		
Amortization (Note 10)	28,493,141	26,538,729
Deferred capital contributions - grants recognized (Note 8)	(27,934,486)	(25,991,259)
Deferred gain on disposal of restricted assets	(8,617,350)	(380,884)
Other liabilities - Contaminated site	(60,632)	(78,612)
Sources and (uses)		
Accounts receivable	(1,199,057)	(4,274,953)
Accounts payable and accrued liabilities	3,303,466	(685,820)
Other liabilities	(468,310)	(143,753)
Deferred revenues - operating	(312,476)	(1,745,284)
Employee future benefits payable	(5,914,279)	(1,594,306)
Prepaid expenses	260,639	688,064
	<b>19,291,200</b>	<b>17,421,926</b>
<b>Capital transactions</b>		
Proceeds on sale of tangible capital assets	8,713,724	1,309,876
Acquisition of tangible capital assets (Note 10)	(30,789,584)	(58,227,797)
	<b>(22,075,860)</b>	<b>(56,917,921)</b>
<b>Financing transactions</b>		
Debt repaid (Note 6)	(10,545,218)	(10,036,635)
Net long-term liabilities issued	169,204	1,234,380
Decrease in temporary borrowing	-	(41,741)
Additions to deferred capital contributions (Note 8)	23,559,839	47,295,164
Increase (decrease) in deferred revenues - capital	6,478,197	(83,274)
Accounts receivable - Government of Ontario	18,984,304	6,237,812
	<b>38,646,326</b>	<b>44,605,706</b>
Change in cash and cash equivalents	<b>35,861,666</b>	<b>5,109,711</b>
Opening cash and cash equivalents	<b>37,284,584</b>	<b>32,174,873</b>
<b>Closing cash and cash equivalents</b>	<b>73,146,250</b>	<b>37,284,584</b>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

# Halton District School Board

## Consolidated statement of changes in net debt year ended August 31, 2016

	2016	2015
	\$	\$
<b>Annual surplus</b>	<b>31,740,544</b>	25,090,004
Tangible capital asset activity		
Acquisition of tangible capital assets (Note 10)	(30,789,584)	(58,227,797)
Sale of asset - net	96,374	928,992
Amortization of tangible capital assets (Note 10)	28,493,141	26,538,729
	<b>(2,200,069)</b>	<b>(30,760,076)</b>
Other non-financial asset activity		
Acquisition of prepaid expenses	(1,181,014)	(1,114,295)
Use of prepaids	1,441,653	1,802,359
	<b>260,639</b>	<b>688,064</b>
Decrease (increase) in net debt	<b>29,801,114</b>	(4,982,008)
Net debt, beginning of year	<b>(560,289,397)</b>	<b>(555,307,389)</b>
<b>Net debt, end of year</b>	<b>(530,488,283)</b>	<b>(560,289,397)</b>

The accompanying notes to the consolidated financial statements are an integral part of these consolidated financial statements.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 1. Significant accounting policies

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

#### *Basis of accounting*

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers, including amounts previously recognized as tax revenue, 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 consolidated statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

#### *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, including the following:

- Fast Track Community Centre for Skills Development and Training ("The Centre"); and
- Halton Student Transportation Services ("HSTS").

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.

All material inter-departmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 1. Significant accounting policies (continued)

#### *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.

#### *Cash and cash equivalents*

Cash and cash equivalents are comprised of cash on hand and demand deposits.

#### *Tangible capital assets*

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

Leases which transfer substantially all 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, except land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Estimated useful life in years
Land improvements with finite lives	15
Buildings	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Leasehold improvements - The Centre	10

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.

#### *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.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 1. Significant accounting policies (continued)

#### *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 contributions (DCC) as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose;
- Other restricted contributions received or receivable for capital purpose; and
- Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

#### *Retirement and other future benefits*

The Board provides defined retirement, post retirement and workers' safety insurance benefits to specified employee groups. These benefits include pension, retirement gratuity, health and dental, workers' safety insurance benefits, carry-over sick leave and long term disability benefits. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and post-retirement health and dental plan. 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 benefits 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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities were 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. 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 post-retirement health and dental benefits, the cost is actuarially determined using the projected benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the post-retirement health and dental plan resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change were recognized as at August 31, 2012.

For those self-insured benefit obligations that arise from specific events that occur periodically, such as obligations for workers' compensation, 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 benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 1. Significant accounting policies (continued)

#### *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, and eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

#### *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 form part of the respective deferred revenue balances.

#### *Budget figures*

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees of the Halton District School Board. The budget 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. Also included is the approved budget for the Fast Track Centre for Skills Development and Training. Budget figures in the consolidated statement of changes in net debt have not been provided.

#### *Use of estimates*

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. Significant estimates include employee future benefits and accruals.

#### *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 grants – Grants for Student Needs.

### 2. Accounts receivable - Government of Ontario

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Halton District School Board received a one-time grant that recognized 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 Government of Ontario of \$294,331,912 (2015 - \$313,316,216) with respect to capital grants.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 3. Temporary borrowing

The Board's bank resolutions allow aggregate borrowings to the maximum of \$135 million. The Board has credit facilities available to the maximum of \$85 million with the bank to address operating requirements, bridge capital expenditures and education development charges outstanding. As at August 31, 2016, the amount drawn was \$Nil (2015- \$Nil).

### 4. Other liabilities

A liability for contaminated sites was recorded for the estimated cost to remediate soil and ground water contamination resulting from the replacement of a fuel oil underground storage tank in a Board site that is not in productive use. The estimated liability of \$139,244 (2015- \$78,612) representing remediation costs has been provided by a third party geo-environmental consultant.

Other liabilities also includes the Group Life Premium Stabilization Fund amounting to \$3,115,225 (2015 - \$2,814,163) and an operating loan payable (due on demand) of \$Nil (2015 - \$890,636 bearing interest at 4.64%).

### 5. Net long-term liabilities

Net long-term liabilities on the consolidated statement of financial position is comprised of Ontario Financing Authority (OFA) and Ontario School Boards Financing Corporation (OSBFC) debentures as follows:

	2016	2015
	\$	\$
Debentures		
OSBFC, Series 2003-A2, 5.800%, maturing November 2028	18,914,529	19,921,770
OSBFC, Series 2004-A1, 5.483%, maturing November 2029	28,309,501	29,695,391
OSBFC, Series 2005-A1, 4.789%, maturing August 2030	8,415,720	8,829,662
OFA, Bylaw 06090, 4.560%, maturing November 2031	15,057,051	15,713,341
OFA, Bylaw 08012, 4.900%, maturing March 2033	30,682,062	31,837,527
OFA, Bylaw 09037, 5.062%, maturing March 2034	1,009,290	1,043,525
OFA, Bylaw 09036, 5.062%, maturing March 2034	5,459,261	5,644,439
OFA, Bylaw 09125, 5.384%, maturing May 2034	8,384,960	8,655,767
OFA, Bylaw 10052, 5.232%, maturing May 2035	11,350,014	11,695,157
OFA, Bylaw 10107, 4.947%, maturing May 2035	17,973,703	18,533,726
OFA, Bylaw 11034, 4.833%, maturing March 2035	17,525,190	18,043,497
OFA, Bylaw 11155, 3.97%, maturing November 2036	14,274,390	14,718,624
OFA, Bylaw 12024, 3.564%, maturing March 2037	17,706,469	18,272,414
OFA, Bylaw 13030, 3.799%, maturing March 2038	45,876,235	47,205,351
OFA, Bylaw 13120, 4.037%, maturing October 2028	15,256,349	16,182,437
OFA, Bylaw 14025, 4.003%, maturing March 2039	26,985,342	27,698,511
OFA, Bylaw 15010, 2.993%, maturing March 9, 2040	1,200,235	1,234,380
OFA, Bylaw 16024, 3.242%, maturing March 15, 2041	169,204	-
Net long-term liabilities	<b>284,549,505</b>	<b>294,925,519</b>

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 5. Net long-term liabilities (continued)

Of the net long-term liabilities outstanding of \$284,549,505 principal plus interest payable over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
	\$	\$	\$
2016/17	11,048,158	12,901,693	23,949,851
2017/18	11,570,835	12,379,016	23,949,851
2018/19	12,118,824	11,831,027	23,949,851
2019/20	12,693,377	11,256,474	23,949,851
2020/21	13,295,811	10,654,041	23,949,852
Total	60,727,005	59,022,251	119,749,256
Thereafter	223,822,500	75,415,778	299,238,278
Net long-term liabilities	284,549,505	134,438,029	418,987,534

Interest payments on long-term liabilities amounted to \$13,134,534 (2015 - \$13,717,788) (Note 6).

### 6. Debt charges and capital loan interest

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

	2016	2015
	\$	\$
Principal payments on long-term liabilities	10,545,218	10,036,635
Interest payments on long-term liabilities (Note 5)	13,134,534	13,717,788
Interest payments on temporary financing of capital projects	114,869	193,568
	23,794,621	23,947,991

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

### 7. 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 and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2016
	\$	\$	\$	\$	\$
Renewable energy - capital	142,793	-	-	-	142,793
School renewal	3,592,749	9,693,068	1,974,084	6,462,996	4,848,737
School condition improvement	1,135,021	-	-	1,135,021	-
Special education	2,937,740	87,878,175	87,885,894	-	2,930,021
Legislative grants	1,667,359	33,001,012	30,700,670	2,148,885	1,818,816
Other Provincial grants Other Ministry of Education grants	121,247	1,646,806	1,667,366	-	100,687
Education development charges	365,731	4,520,207	4,858,701	-	27,237
Other third party	-	15,534,063	15,534,063	-	-
Proceeds of disposition	388,227	3,782,708	3,728,411	-	442,524
Total deferred revenue	14,301,695	8,859,471	-	2,653,698	20,507,468
	<b>24,652,562</b>	<b>164,915,510</b>	<b>146,349,189</b>	<b>12,400,600</b>	<b>30,818,283</b>

### 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	541,350,856	520,046,951
Net additions to deferred capital contributions	23,559,839	47,295,164
Deferred capital contributions - grants recognized	(27,934,486)	(25,991,259)
	<b>536,976,209</b>	<b>541,350,856</b>

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

### 9. Retirement and other employee future benefits

						2016	2015
	Retirement	Post	Workers'	Carry-over	Long-term	Total	Total
	benefits	retirement	safety	sick leave	disability	employee	employee
		benefits	insurance	benefits	plans	future	future
	\$	\$	\$	\$	\$	\$	\$
	benefits	benefits	board	benefits	plans	benefits	benefits
Accrued employee future benefit obligations	25,363,314	249,898	5,215,485	339,209	363,354	31,531,260	36,276,316
Unamortized actuarial (losses) gains	(2,584,002)	-	-	-	-	(2,584,002)	(1,414,779)
Employee future benefits liability	22,779,312	249,898	5,215,485	339,209	363,354	28,947,258	34,861,537

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$5,748,211 at August 31, 2016 (2015 - \$6,881,211).

						2016	2015
	Retirement	Post	Workers'	Carry-over	Long-term	Total	Total
	benefits	retirement	safety	sick leave	disability	employee	employee
		benefits	insurance	benefits	plans	future	future
	\$	\$	\$	\$	\$	\$	\$
	benefits	benefits	board	benefits	plans	benefits	benefits
Recognition of unamortized actuarial (gains) losses on plan curtailments	185,249	2,693	-	(4,342)	-	183,600	122,628
Total recognized curtailment (gains) losses	185,249	2,693	-	(4,342)	-	183,600	122,628
Current year benefit cost	-	-	1,272,607	339,209	91,764	1,703,580	1,817,276
Gain on plan amendments	(889,121)	-	-	-	-	(889,121)	-
Interest on accrued benefit obligation	707,714	7,017	119,368	-	9,080	843,179	1,007,463
Employee future benefits expense	3,842	9,710	1,391,975	334,867	100,844	1,841,238	2,947,367

Above amounts exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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

#### *Actuarial assumptions*

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on actuarial valuations completed for accounting purposes as at August 31, 2016. These actuarial 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:

	<b>2016</b>	2015
	%	%
Inflation		
Retirement gratuities	<b>1.50</b>	1.50
Healthcare cost escalation		
Dental	<b>4.00</b>	4.50
Health	<b>8.00</b>	8.50
Discount on accrued benefit obligation		
Retirement gratuities	<b>2.05</b>	2.45
Post-retirement benefits	<b>2.05</b>	2.45

#### *Ontario Teachers' 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 a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

During the year ended August 31, 2016, the employee contributions to this plan were \$44,376,271 (2015 - \$42,237,434).

#### *Ontario Municipal Employees Retirement System*

All permanent non-teaching employees of the Board are eligible to be members of 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 ending August 31, 2016, the Board contributed \$8,099,630 (2015 - \$7,914,285) 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, as these obligations are a direct responsibility of OMERS.

#### *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. As a result of the 2012 plan change, 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. Retirement gratuities expensed in respect of employees who retired in 2016 amounted to \$3,842 (2015 - \$924,578).

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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

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

During 2015-16, Elementary Teachers Federation of Ontario (ETFO), Ontario Secondary School Teachers Federation (OSSTF), Canadian Union of Public Employees, (CUPE), Ontario Secondary School Teachers Federation (OSSTF- EW), Office Clerical Technical Unit (OCTU) ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided ETFO, OSSTF, CUPE, OSSTF-EW and OCTU 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 during 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 financial statements. This resulted in the board's employee future benefit liability decreasing by \$3,920,684.

#### *Post-retirement benefits*

The Board continues to provide post-retirement health and dental benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, no longer qualify for board subsidized premiums or contributions.

#### *Other employee future benefits*

##### Workers' Safety Insurance Board

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

Occurrences between \$1,000,000 and \$24,000,000 are insured under third party insurance coverage. The Board participates in the Workers' Compensation Assistance Program with the School Boards' Co-operative Inc. (SBCI). For an annual fee, this program provides funds to Participating Members that incur claim costs on any workers' compensation incident between \$500,000 and \$1,000,000. The Board is self-insured for all other occurrences. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreements negotiated prior to 2012 included such provisions.

As of August 31, 2016, these obligations, as actuarially determined, amounted to \$5,215,485 (2015 - \$4,648,250) and are included in Employee Future Benefits Payable. The change in this amount from the previous year has been reflected in the statement of operations.

##### Long-term disability benefits

The Board provides long-term disability benefits including payment of life insurance premiums and health care benefits during the period an employee is unable to work. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

# Halton District School Board

Notes to the consolidated financial statements

August 31, 2016

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

*Other employee future benefits (continued)*

### Sick leave top-up benefits

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2016. This actuarial valuation is based on assumptions about future events.

### Benefit Plan Future Changes

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) will be established in 2016-17 for the following employee groups: Elementary Teachers Federation of Ontario (ETFO), Elementary Teachers Federation of Ontario – Education Workers (ETFO-EW), Ontario Secondary School Teachers Federation (OSSTF), Ontario Secondary School Teachers Federation-Education Workers (OSSTF-EW), Canadian Union of Public Employees (CUPE), Education Workers Association of Ontario (EWAO), 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 November 1, 2016 the Board will no longer be responsible to provide benefits to ETFO, ETFO-EW, OSSTF and OSSTF-EW. A date has not been determined for CUPE AND EWAO.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

### 10. Tangible capital assets

	Balance at August 31, 2015	Additions and betterments	Disposals	Transfer to/from construction in progress	Cost August 31, 2016
	\$	\$	\$	\$	\$
Halton District School Board					
Land	170,099,914	7,131,930	96,374	20	177,135,490
Land improvements	31,493,071	1,276,216	-	-	32,769,287
Buildings (40 yrs)	675,478,560	14,067,090	1,440,663	24,144,556	712,249,543
Other Buildings	112,268	-	-	-	112,268
Portable structures	8,900,322	153,871	-	-	9,054,193
Construction in progress	24,144,555	4,151,775	-	(24,108,556)	4,187,774
Pre-acquisition costs - land	45,076	37,964	-	(20)	83,020
Pre-acquisition costs - building	89,545	1,071,055	-	(36,000)	1,124,600
Equipment (5 years)	195,131	8,919	15,865	-	188,185
Equipment (10 years)	3,613,483	322,699	-	-	3,936,182
Equipment (15 years)	913,252	414,505	-	-	1,327,757
First time equipping	13,895,782	471,895	112,899	-	14,254,778
Furniture	432,755	51,337	5,606	-	478,486
Computer hardware	6,825,194	920,258	920,699	-	6,824,753
Computer software	1,576,584	597,687	422,186	-	1,752,085
Asset permanently removed from service					
Buildings (40 years)	174,364	-	174,364	-	-
	<b>937,989,856</b>	<b>30,677,201</b>	<b>3,188,656</b>	<b>-</b>	<b>965,478,401</b>
The Centre					
Computers	30,114	-	-	-	30,114
Leasehold improvements	821,158	112,383	-	-	933,541
Equipment and furniture	907,667	-	-	-	907,667
	<b>1,758,939</b>	<b>112,383</b>	<b>-</b>	<b>-</b>	<b>1,871,322</b>
<b>Total</b>	<b>939,748,795</b>	<b>30,789,584</b>	<b>3,188,656</b>	<b>-</b>	<b>967,349,723</b>

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

### 10. Tangible capital assets (continued)

	Balance at August 31, 2015	Amortization and write-offs and adjustments	Disposals	Transfer to assets held for sale	Accumulated	Net book value	
					amortization	Balance at August 31, 2016	2016
	\$	\$	\$	\$	\$	\$	\$
Halton District School Board							
Land	-	-	-	-	-	177,135,490	170,099,914
Land improvements	8,195,311	2,175,776	-	-	10,371,087	22,398,200	23,297,760
Buildings (40 yrs)	192,477,048	22,007,614	1,440,663	-	213,043,999	499,205,544	483,001,512
Other Buildings	8,420	5,613	-	-	14,033	98,235	103,848
Portable structures	5,390,694	459,134	-	-	5,849,828	3,204,365	3,509,628
Construction in progress (a)	-	-	-	-	-	4,187,774	24,144,555
Pre-acquisition costs - land (a)	-	-	-	-	-	83,020	45,076
Pre-acquisition costs - building (a)	-	-	-	-	-	1,124,600	89,545
Equipment (5 years)	91,460	38,331	15,865	-	113,926	74,259	103,671
Equipment (10 years)	975,026	377,483	-	-	1,352,509	2,583,673	2,638,457
Equipment (15 years)	109,053	65,977	-	-	175,030	1,152,727	804,199
First time equipping	5,281,719	1,407,528	112,899	-	6,576,348	7,678,430	8,614,063
Furniture	175,680	45,562	5,606	-	215,636	262,850	257,075
Computer hardware	3,130,792	1,364,995	920,699	-	3,575,088	3,249,665	3,694,402
Computer software	906,441	332,867	422,186	-	817,122	934,963	670,143
Asset permanently removed from service							
Buildings (40 years)	-	174,364	174,364	-	-	-	174,364
	216,741,644	28,455,244	3,092,282	-	242,104,606	723,373,795	721,248,212
The Centre							
Computers	10,874	10,038	-	-	20,912	9,202	19,240
Leasehold improvements	775,587	27,859	-	-	803,446	130,095	45,571
Equipment and furniture	907,667	-	-	-	907,667	-	-
	1,694,128	37,897	-	-	1,732,025	139,297	64,811
<b>Total</b>	<b>218,435,772</b>	<b>28,493,141</b>	<b>3,092,282</b>	<b>-</b>	<b>243,836,631</b>	<b>723,513,092</b>	<b>721,313,023</b>

#### a) Assets under construction

Assets under construction which include construction in progress, pre-acquisition costs – land and pre-acquisition costs – building for a total value of \$5,395,395 (2015 - \$24,279,176) have not been amortized. Amortization of these assets will commence when the asset is put into service.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

### 11. Accumulated surplus

Accumulated surplus consists of the following:

	2016	2015
	\$	\$
Non-designated surplus	<b>5,000,000</b>	10,579,418
Amounts internally restricted for future use of the Board		
Retirement gratuities	<b>5,748,211</b>	6,881,211
Fast Track Centre for Skills and Development & Training	<b>1,776,081</b>	2,374,659
Other operating	<b>10,534,757</b>	8,037,156
Accommodation	<b>39,502,059</b>	23,134,375
Committed capital projects and sinking fund interest	<b>9,205,372</b>	9,854,183
	<b>66,766,480</b>	50,281,584
Unavailable for Compliance		
Employee future benefits	<b>(18,409,846)</b>	(23,892,156)
Interest accrual	<b>(3,698,011)</b>	(3,959,038)
Contaminated site	-	(78,612)
	<b>(22,107,857)</b>	(27,929,806)
Revenues recognized for land		
Land (Note 10)	<b>177,135,490</b>	170,099,914
Pre-acquisition costs - land (Note 10)	<b>83,020</b>	45,076
Education development charges outstanding (i)	<b>(38,137,054)</b>	(45,970,577)
	<b>139,081,456</b>	124,174,413
School generated funds	<b>5,419,532</b>	5,313,458
Total accumulated surplus	<b>194,159,611</b>	162,419,067

- (i) The Education Act, Part IX, Division E and Ontario Regulation 20/98 (amended by Ontario Regulation 95/02) provide requirements for determining a board's eligibility to impose Education Development Charges ("EDC") on new development, and the calculation of these charges. The accumulated eligible education development charge expenditures may be included in cash and cash equivalents or temporary borrowing on the consolidated statement of financial position. Interest on education development charges outstanding amounted to \$406,372 (2015 - \$564,679).

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

### 12. Expenses by object

The following is a summary of expenses reported in the consolidated statement of operations by object:

	Budget	2016 Actual	2015 Actual
	\$	\$	\$
Salary and wages	456,443,917	459,351,179	442,965,462
Employee benefits	72,401,453	71,399,814	70,818,341
Staff development	3,977,670	4,830,118	5,384,106
Supplies and services	61,594,532	59,287,718	57,466,585
Interest charges on capital	14,323,544	13,655,775	14,476,036
Rental expenses	148,038	116,132	140,360
Fees and contract services	35,143,807	35,023,650	36,917,125
Other	16,118,122	18,369,745	19,368,619
Amortization of tangible capital assets	26,110,731	28,493,141	26,538,729
<b>Total</b>	<b>686,261,814</b>	<b>690,527,272</b>	<b>674,075,363</b>

### 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 ultimate premiums over a five year period are based on each member of the reciprocal 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. Contractual obligations and contingent liabilities

- a) The Board has the following annual lease and contract commitments with respect to furniture, equipment, computer hardware and software, construction, and portables, totaling \$31,169,746.

Fiscal year ending August 31	\$
2017	16,954,391
2018	4,140,210
2019	2,450,978
2020	1,939,299
2021	5,684,868

- b) As of August 31, 2016 the Board had guarantees outstanding of \$1,230,217 (2015 - \$1,313,490) relating to construction projects in progress.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 14. Contractual obligations and contingent liabilities (continued)

- c) In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2016 cannot be predicted with certainty, it is in the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

### 15. Partnership in Halton Student Transportation Services

Transportation services for the Board are provided by Halton Student Transportation Services ("HSTS") in partnership with Halton Catholic District School Board. Under the agreement created at the time HSTS was established, decisions related to the financial and operating activities of HSTS are shared. No partner is in a position to exercise unilateral control. Operations of HSTS have been included in these consolidated financial statements based on the share of net financial resources contributed by the Board during the fiscal period being reported.

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	300,374	196,745	228,576	150,380
Liabilities	323,446	211,857	280,704	184,675
Non-financial assets	23,832	15,610	52,888	34,795
Accumulated surplus	760	498	760	500
Operations				
Revenues	21,374,800	14,670,704	21,136,996	14,351,965
Expenditures	21,374,800	14,670,704	21,136,996	14,351,965
Annual surplus	-	-	-	-

### 16. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$7,294,000 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed debt of participating boards that 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 not permanently financed debt.

As a result of the above agreement, the liability in respect of the not permanently financed debt is no longer reflected in the Board's financial position.

# Halton District School Board

## Notes to the consolidated financial statements

August 31, 2016

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### 17. Funds administered by the Board

Trust funds administered by the Board amounting to \$1,408,184 (2015 - \$1,688,323) have not been included in the consolidated financial statements, as they are not controlled by the Board.

	<b>Trust funds</b>	<b>Deferred leave plan</b>	<b>2016 Total</b>	<b>2015 Total</b>
	\$	\$	\$	\$
Opening balance at September 1, 2015	<b>741,973</b>	<b>946,350</b>	<b>1,688,323</b>	1,964,594
Capital received in 2016	<b>5,355</b>	<b>341,866</b>	<b>347,221</b>	458,817
Earnings on investments in 2016	<b>7,303</b>	<b>44</b>	<b>7,347</b>	10,372
	<b>754,631</b>	<b>1,288,260</b>	<b>2,042,891</b>	2,433,783
Disbursements in 2016	<b>38,462</b>	<b>596,245</b>	<b>634,707</b>	745,460
Closing balance at August 31, 2016	<b>716,169</b>	<b>692,015</b>	<b>1,408,184</b>	1,688,323