

Consolidated Financial Statements of

**HAMILTON-WENTWORTH DISTRICT
SCHOOL BOARD**

Year ended August 31, 2016



KPMG LLP
21 King Street West Suite 700
Hamilton ON L8P 4W7

Telephone (905) 523-8200
Fax (905) 523-2222
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Hamilton-Wentworth District School Board:

We have audited the accompanying consolidated financial statements of the Hamilton-Wentworth District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements of the Hamilton-Wentworth District School Board as at August 31, 2016 and for the year then ended, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Basis of Accounting

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.

Chartered Professional Accountants, Licensed Public Accountants

December 12, 2016
Hamilton, Canada

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative information for 2015)**

| | 2015-16 | 2014-15 |
|---|------------------|------------------|
| | (\$000's) | (\$000's) |
| FINANCIAL ASSETS | | |
| Cash and Cash Equivalents | 36,399 | 51,510 |
| Accounts Receivable - Other | 31,115 | 30,206 |
| Accounts Receivable - Government of Ontario (note 3) | 164,902 | 158,335 |
| Investments (note 2) | 6,250 | 6,250 |
| TOTAL FINANCIAL ASSETS | 238,666 | 246,301 |
| FINANCIAL LIABILITIES | | |
| Accounts Payable and Accrued Liabilities | 36,039 | 38,791 |
| Net Debenture Debt, Capital Loans and Leases (note 7) | 148,051 | 152,694 |
| Deferred Revenue (note 4) | 31,876 | 23,644 |
| Employee Benefits Payable (note 6) | 58,239 | 71,357 |
| Deferred Capital Contributions (note 5) | 505,989 | 497,093 |
| TOTAL FINANCIAL LIABILITIES | 780,194 | 783,579 |
| NET DEBT | (541,528) | (537,278) |
| NON-FINANCIAL ASSETS | | |
| Prepaid Expenses | 1,055 | 1,404 |
| Tangible Capital Assets (note 10) | 578,615 | 565,580 |
| TOTAL NON-FINANCIAL ASSETS | 579,670 | 566,984 |
| ACCUMULATED SURPLUS (note 11) | 38,142 | 29,706 |

Contingent Liabilities (note 13)
Commitments (note 14)

On behalf of the Board

Chair

Director of Education & Secretary

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative information for 2015)**

| | 2015-16 Budget (\$000's) | 2015-16 Actual (\$000's) | 2014-15 Actual (\$000's) |
|--|---|---|---|
| REVENUES | | | |
| Provincial Grants - Grants for Student Needs (note 1(n)) | 521,972 | 533,361 | 528,202 |
| Provincial Grants - Other | 5,080 | 10,185 | 9,913 |
| Federal Grants and Fees | - | 902 | 958 |
| School Generated Funds | 10,548 | 11,568 | 11,943 |
| Investment Income | 650 | 263 | 516 |
| Other Fees and Revenues | 7,045 | 9,804 | 13,715 |
| Amortization of Deferred Capital Contributions (Note 5) | 29,738 | 28,540 | 28,083 |
| TOTAL REVENUES | 575,033 | 594,623 | 593,330 |
| EXPENDITURES | | | |
| Instruction | 441,604 | 451,484 | 445,095 |
| Administration | 13,678 | 13,974 | 13,693 |
| Transportation | 16,200 | 15,196 | 14,758 |
| Pupil Accommodation | 84,075 | 91,681 | 88,898 |
| School Generated Funds | 10,548 | 11,077 | 11,953 |
| Other | 2,022 | 2,775 | 2,587 |
| TOTAL EXPENSES (note 9) | 568,127 | 586,187 | 576,984 |
| ANNUAL SURPLUS | 6,906 | 8,436 | 16,346 |
| Accumulated Surplus at Beginning of Year | 24,837 | 29,706 | 13,360 |
| ACCUMULATED SURPLUS AT END OF YEAR (note 11) | 31,743 | 38,142 | 29,706 |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative information for 2015)**

| | 2015-16 | 2014-15 |
|---|------------------|------------------|
| | (\$000's) | (\$000's) |
| OPERATING TRANSACTIONS | | |
| Annual Surplus | 8,436 | 16,346 |
| Sources and (Uses): | | |
| Non-cash items including Amortization, Write-downs and | | |
| Loss on disposal of TCA and excluding deferred gain on disposal of restricted assets | 34,626 | 29,771 |
| Deferred Capital Contributions Revenue | (28,540) | (28,083) |
| Deferred Gain on Disposal of Restricted Assets | (15,176) | (19,462) |
| (Increase) Decrease in Accounts Receivable | (909) | 1,869 |
| (Decrease) Increase in Accounts Payable and Accrued Liabilities | (2,752) | 3,434 |
| Increase in Deferred Revenue - Operating | 954 | 508 |
| Decrease in Employee Benefits Payable | (13,118) | (1,370) |
| Decrease (Increase) in Prepaid Expense | 349 | (202) |
| CASH PROVIDED BY (APPLIED TO) OPERATING TRANSACTIONS | (16,130) | 2,811 |
| CAPITAL TRANSACTIONS | | |
| Proceeds on Sale of Tangible Capital Assets | 15,426 | 20,936 |
| Cash used to Acquire Tangible Capital Assets | (47,911) | (59,539) |
| CASH APPLIED TO CAPITAL TRANSACTIONS | (32,485) | (38,603) |
| INVESTING TRANSACTIONS | | |
| Increase in long-term investments | - | (5,000) |
| CASH APPLIED TO INVESTING TRANSACTIONS | - | (5,000) |
| FINANCING TRANSACTIONS | | |
| Long Term Debt Issued | 1,324 | - |
| Debt Repayments | (5,967) | (5,508) |
| (Increase) Decrease in Accounts Receivable - Government of Ontario | (6,567) | 3,475 |
| Net additions to Deferred Capital Contributions | 37,436 | 39,218 |
| Increase (Decrease) in Deferred Revenues - Capital | 7,278 | (4,153) |
| CASH PROVIDED BY FINANCING TRANSACTIONS | 33,504 | 33,032 |
| CHANGE IN CASH AND CASH EQUIVALENTS | (15,111) | (7,760) |
| Opening Cash and Cash Equivalents | 51,510 | 59,270 |
| CLOSING CASH AND CASH EQUIVALENTS | 36,399 | 51,510 |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED AUGUST 31, 2016 (with comparative information for 2015)**

| | 2015-16 (\$000's) | 2014-15 (\$000's) |
|---|------------------------------|------------------------------|
| ANNUAL SURPLUS | 8,436 | 16,346 |
| TANGIBLE CAPITAL ASSET ACTIVITY | | |
| Acquisition of Tangible Capital Assets | (47,911) | (59,539) |
| Amortization of Tangible Capital Assets | 29,158 | 28,410 |
| Loss on Sale of Tangible Capital Assets | 5,467 | 1,361 |
| Proceeds on Sale of Tangible Capital Assets | 15,427 | 20,936 |
| Gain on Sale Allocated to Deferred Revenue | (15,176) | (19,462) |
| TOTAL TANGIBLE CAPITAL ASSET ACTIVITY | (13,035) | (28,294) |
| OTHER NON-FINANCIAL ASSET ACTIVITY | | |
| Use of Prepaid Expenses | 349 | (202) |
| TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY | 349 | (202) |
| INCREASE IN NET DEBT | (4,250) | (12,150) |
| Net Debt at Beginning of Year | (537,278) | (525,128) |
| NET DEBT AT END OF YEAR | (541,528) | (537,278) |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Hamilton-Wentworth District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below.

(a) Basis of Accounting

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

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

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for the 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 the Canadian public sector accounting standards which require that

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

As a result, revenue recognized in the statement of operations and certain related deferred revenues, and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Reporting Entity

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

School generated funds, which include the assets, liabilities, revenues, and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities -

- Hamilton-Wentworth District School Board
- The Hamilton-Wentworth District School Board Foundation
- School Generated Funds

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Proportionately consolidated entities -

- Hamilton-Wentworth Student Transportation Services

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

(c) Trust Funds

Trust funds for teacher funded leave under the “four over five plan” and of the Hamilton School Boards Energy Consortium are not included in the consolidated financial statements, as these funds are not controlled by the Board.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

(e) Investments

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

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

(f) Deferred Revenue

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

(g) Deferred Capital Contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(h) Retirement and other Employee Future Benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, sick leave, and workers' compensation. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. 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.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and year of service based on August 31, 2012 information and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining 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 life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized.

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

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

(i) Tangible Capital Assets

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

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

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

| Asset | Estimated Useful Life in Years |
|-------------------------------------|--------------------------------|
| Land Improvement with Finite Lives | 15 |
| Buildings and Building Improvements | 40 |
| Portable Structures | 20 |
| Other Buildings | 20 |
| First-Time Equipping of Schools | 10 |
| Furniture | 10 |
| Equipment | 5-15 |
| Computer Hardware | 5 |
| Computer Software | 5 |
| Vehicles | 5-10 |
| Leasehold Improvements | Over the lease term |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(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 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.

(k) Investment Income

Investment income is reported as revenue in the period earned.

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

(l) Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees 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. Accounts subject to significant estimates include assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these estimates.

(n) Property Tax Revenue

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

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

2. INVESTMENTS

Investments consist of marketable securities are recorded at cost and are comprised as follows:

| | 2016 | | 2015 | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Cost | Market Value | Cost | Market Value |
| Guaranteed Investment Certificates: | | | | |
| Meridian Credit Union | \$ 525 | \$ 525 | \$ 525 | \$ 525 |
| Meridian Credit Union | 5,725 | 5,725 | 5,725 | 5,725 |
| | \$ 6,250 | \$ 6,250 | \$ 6,250 | \$ 6,250 |

These investments are assessed regularly for impairment and are written down if a permanent impairment exists.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO

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

The Board has an account receivable from the Province of Ontario of \$164,902 (2015 - \$158,335) as at August 31, 2016 with respect to this capital grant.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

4. DEFERRED REVENUE

Revenues received and 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 |
|-------------------------------|-------------------------------------|---|--|--|--|
| Proceeds of Disposition | \$ 12,449 | \$ 15,563 | \$ (1,035) | \$ (12,213) | \$ 14,764 |
| Special Education | - | 65,159 | (65,159) | - | - |
| School Renewal | 5,234 | 8,726 | (1,964) | (1,326) | 10,670 |
| Retrofit for Child Care | 1,570 | - | - | (473) | 1,097 |
| Other | 4,391 | 40,165 | (37,620) | (1,591) | 5,345 |
| Total Deferred Revenue | \$ 23,644 | \$ 129,613 | \$ (105,778) | \$ (15,603) | \$ 31,876 |

5. 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 at Beginning of Year | \$ 497,093 | \$ 485,958 |
| Additions to Deferred Capital Contributions | 27,301 | 9,449 |
| Transfers from Deferred Revenue | 15,603 | 30,785 |
| Disposals/Transfers to Financial Assets | (5,468) | (1,016) |
| Revenue Recognized in period | (28,540) | (28,083) |
| Balance at end of year | \$ 505,989 | \$ 497,093 |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

| Retirement and Other Employee Future Benefit Liabilities | | | 2016 | 2015 |
|---|---------------------|-----------------------------------|--------------------------------------|---|
| | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Accrued Benefit Obligation – Opening Balance | \$ 65,893 | \$ 8,786 | \$ 74,679 | \$ 73,545 |
| Current Year Benefit Expense | - | 2,358 | 2,358 | 2,911 |
| Changes Due to Plan Ammendment | (2,017) | - | (2,017) | - |
| Interest on Accrued Benefit Obligation | 1,555 | 226 | 1,781 | 2,036 |
| Benefits Expenses (Recovery) ¹ | (462) | 2,584 | 2,122 | 4,947 |
| Actuarial Loss | 3,277 | - | 3,277 | 2,636 |
| Benefits Payment | (13,855) | (1,815) | (15,670) | (6,449) |
| | (11,040) | 769 | (10,271) | 1,134 |
| Accrued Benefit Obligation – Closing Balance | \$ 54,853 | \$ 9,555 | \$ 64,408 | \$ 74,679 |
| Unamortized Actuarial Loss | (6,169) | - | (6,169) | (3,322) |
| Accrued Benefit Liability – Ending | \$ 48,684 | \$ 9,555 | \$ 58,239 | \$ 71,357 |

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Amortization of actuarial losses during the year is \$430 (2015 - \$120). The unamortized actuarial loss is amortized over the expected average remaining service life of 8.12 years (2015 – 8.33 years).

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Pension Plans:

(i) Ontario Teacher's Pension Plan

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

(ii) Ontario Municipal Employees Retirement System

All non-teaching 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 \$6,920 (2015 – \$6,732) 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.

Employee Future Benefits:

(i) Retirement Gratuities

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

a. Voluntary Retirement Gratuity Early Payout Provision

During 2015-16, OSSTF, ETFO, CUPE, and Non-Union Groups ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided 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.

Some employees took the early payouts, which were discounted from the current financial statement carrying value. As a result, the reduction in the liability for those members who took the voluntary retirement gratuity early payout option were accompanied by actuarial gain in the board's 2015-16 year financial statements. This resulted in the board's employee future benefit liability decreasing by \$11,835.

(ii) Retirement Life Insurance and Health Care Benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age; the retired members are required to pay 100% of the costs. 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. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2016
(All amounts in thousands of dollars)**

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(iii) Workplace Safety and Insurance Board Plan Obligations

The Board is a Schedule 2 employer under the *Ontario 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.

School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where collective agreements negotiated prior to 2012 included such a provision.

(iv) Long-Term Disability Life Insurance and Health Care Benefits

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in this plan.

(v) Sick Leave Top-Up Benefits

A maximum of eleven unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit cost expensed in the financial statements are \$355 (2015 - \$348).

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 to certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of the 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: EFTO, OSSTF, CUPE, 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 2017 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.

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Actuarial Assumptions

The accrued benefit obligations for long-term disability life insurance and health care benefit plans as at August 31, 2016 are based on actuarial valuations for accounting purposes as at August 31, 2016. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

| | 2016 | 2015 |
|---|---|--|
| Inflation | 2.05% | 1.5% |
| Wage and Salary Escalation | 0% | 0% |
| Health Care Cost Escalation | 8.25% decreasing by ¼% each year to 4.0% | 8.5% decreasing by ¼% each year to 4.0% |
| Dental Cost Escalation | 4.25% decreasing by ¼% each year to 3.0% | 4.5% decreasing by ¼% each year to 3.0% |
| Discount on Accrued Benefit Obligations | 2.05% | 2.45% |

7. NET LONG TERM DEBT

The net long-term liabilities reported on the Consolidated Statement of Financial Position of \$148,051 consists of debentures of \$Nil (2015 - \$903) loans of \$146,507 (2015 - \$151,259) and Capital Lease \$1,544 (2015 - \$532). The debentures have a retractable feature, exercisable on specific dates only, at the option of the debenture holders. Details of the net long-term debt are as follows:

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Serial Debenture, due July 19, 2016 | \$ - | \$ 903 |
| Ontario Financing Authority Loan due Nov 15, 2031, 4.56% | 8,493 | 8,863 |
| Ontario Financing Authority Loan due Mar 3, 2033, 4.90% | 26,400 | 27,394 |
| Ontario Financing Authority Loan due Mar 13, 2034, 5.062% | 9,636 | 9,963 |
| Ontario Financing Authority Loan due Apr 13, 2035, 5.232% | 20,900 | 21,535 |
| Ontario Financing Authority Loan due Mar 11, 2036, 4.833% | 9,399 | 9,677 |
| Ontario Financing Authority Loan due Nov 15, 2036, 3.970% | 11,015 | 11,358 |
| Ontario Financing Authority Loan due Mar 9, 2037, 3.564% | 16,935 | 17,477 |
| Ontario Financing Authority Loan due Mar 19, 2038, 3.799% | 42,224 | 43,447 |
| Ontario Financing Authority Loan due Mar 11, 2039, 4.003% | 1,505 | 1,545 |
| Capital Lease Matures, June 1, 2019 | 412 | 532 |
| Capital Lease Matures, August 24, 2022 | 578 | - |
| Capital Lease Matures, April 18, 2022 | 554 | - |
| | \$ 148,051 | \$ 152,694 |

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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7. NET LONG TERM DEBT (continued)

The principal and interest payments required in each of the next five fiscal years and thereafter in respect of the outstanding net long-term debt are as follows:

| | Principal | Interest | Total |
|--------------|-------------------|------------------|-------------------|
| 2017 | 5,258 | 6,367 | 11,625 |
| 2018 | 5,502 | 6,146 | 11,648 |
| 2019 | 5,745 | 5,914 | 11,659 |
| 2020 | 5,861 | 5,671 | 11,532 |
| 2021 | 6,129 | 5,418 | 11,547 |
| Thereafter | 119,556 | 42,720 | 162,276 |
| Total | \$ 148,051 | \$ 72,236 | \$ 220,287 |

8. DEBT CHARGES

The expenditure for debt charges and capital leases includes principal and interest payments made on debentures and capital leases as follows:

| | 2016 | 2015 |
|---|------------------|------------------|
| Principal payments on debentures and capital leases | \$ 5,655 | \$ 5,508 |
| Interest payment on debentures and capital leases | 6,640 | 6,834 |
| Total | \$ 12,295 | \$ 12,342 |

9. EXPENDITURES BY OBJECT

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

| | 2016 Budget note 1(l) | 2016 Actual | 2015 Actual |
|---|--------------------------------------|------------------------|------------------------|
| Current Expenditures: | | | |
| Salary and Wages | \$ 392,871 | \$ 406,642 | \$ 400,306 |
| Employee Benefits | 60,702 | 59,704 | 61,232 |
| Staff Development | 3,116 | 1,467 | 1,757 |
| Supplies and Services | 37,156 | 37,366 | 38,159 |
| Interest Charges on Capital | 6,640 | 6,594 | 6,834 |
| Rental Expenditures | 996 | 2,367 | 1,736 |
| Fees & Contractual Services | 21,454 | 23,513 | 22,487 |
| Other | 4,906 | 2,831 | 2,700 |
| Transfer to Other Boards | - | - | 49 |
| Amortization of Tangible Capital Assets and Loss on Disposal | 29,738 | 34,626 | 29,771 |
| School Funded Activities | 10,548 | 11,077 | 11,953 |
| Total | \$ 568,127 | \$ 586,187 | \$ 576,984 |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. TANGIBLE CAPITAL ASSETS

(a) Assets Under Construction

Assets under construction having a value of \$11,176 (2015 - \$1,670) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of Tangible Capital Assets

There were no write-downs of tangible capital assets during the year (2015 – Nil).

(c) Asset Inventories for Resale (Assets Permanently Removed from Service)

There were no assets inventoried for resale or assets permanently removed from service during the year (2015 – Nil).

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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10. TANGIBLE CAPITAL ASSETS (continued):

Year ended August 31, 2016

| | Cost (in 000's) | | | | Accumulated Amortization (in 000's) | | | | | | |
|--------------------------------|----------------------------|--------------------------------------|--------------------------|-----------------------|-------------------------------------|----------------------------|-----------------------------|--------------------------|----------------------------|--------------------------------|--------------------------------|
| | Balance at August 31, 2015 | Additions, transfers and adjustments | Disposals and Write Offs | Transfers to-from CIP | Balance at August 31, 2016 | Balance at August 31, 2015 | Amortization and adjustment | Disposals and Write Offs | Balance at August 31, 2016 | Net Book Value August 31, 2016 | Net Book Value August 31, 2015 |
| Land | \$ 50,916 | \$ 3,344 | \$ (250) | \$ - | \$ 54,010 | \$ - | \$ - | \$ - | \$ - | \$ 54,010 | \$ 50,916 |
| Land Improvements | 6,211 | 2,718 | - | - | 8,929 | 1,626 | 548 | - | 2,174 | 6,755 | 4,585 |
| Buildings | 811,502 | 29,118 | (15,161) | - | 825,459 | 319,913 | 24,597 | (9,693) | 334,817 | 490,642 | 491,589 |
| Portable Structures | 7,093 | 194 | (707) | - | 6,580 | 4,037 | 293 | (707) | 3,623 | 2,957 | 3,056 |
| Furniture and Equipment | 12,064 | 282 | (1,099) | - | 11,247 | 6,024 | 1,090 | (1,099) | 6,015 | 5,232 | 6,040 |
| Computer Hardware and Software | 13,106 | 1,425 | (1,964) | - | 12,567 | 6,824 | 2,278 | (1,964) | 7,138 | 5,429 | 6,282 |
| Vehicles | 684 | - | (429) | - | 255 | 621 | 35 | (429) | 227 | 28 | 63 |
| Construction in Progress | 1,670 | 9,506 | - | - | 11,176 | - | - | - | - | 11,176 | 1,670 |
| Leasehold Improvements | 2,306 | - | - | - | 2,306 | 927 | 251 | - | 1,178 | 1,128 | 1,379 |
| Capital Leased Assets | - | 1,324 | - | - | 1,324 | - | 66 | - | 66 | 1,258 | - |
| | \$ 905,552 | \$ 47,911 | \$ (19,610) | \$ - | \$ 933,853 | \$ 339,972 | \$ 29,158 | \$ (13,892) | \$ 355,238 | \$ 578,615 | \$ 565,580 |

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. ACCUMULATED SURPLUS

| | 2016 | 2015 |
|--|------------------|------------------|
| Unappropriated | \$ 8,109 | \$ 8,068 |
| Amounts Restricted for Future Use of the Board | | |
| School Budgets | 635 | 874 |
| Computer Technology | 880 | 1,171 |
| Board Initiatives | 1,168 | 2,111 |
| Capital Planning Capacity | - | 241 |
| Cafeteria Equipment Replacement | 140 | 169 |
| Amounts Restricted for Capital Construction | | |
| Administrative Building | 16,608 | 17,039 |
| Available for Compliance | 27,540 | 29,673 |
| Amounts to be Recovered | | |
| Employee Future Benefits | (34,255) | (41,202) |
| Interest Accrual | (2,149) | (2,196) |
| Other | | |
| School Generated Funds | 4,341 | 3,850 |
| Revenues Recognized for Land | 42,665 | 39,581 |
| Balance at August 31, 2016 | \$ 38,142 | \$ 29,706 |

12. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures the Board for general public liability, property damage and vehicles. The membership period is for five years, ending December 31, 2016.

13. CONTINGENT LIABILITIES

The Board has been named in personal injury and property damage claims. The amounts specified in the claims are within the Board's insurance coverage. The Board, as well as its insurers, has instructed legal counsel to act on behalf of the Board to defend against these claims. No provision has been made in the financial statements for these claims.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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14. COMMITMENTS

The Board has outstanding contractual obligations at August 31, 2016 of approximately \$17,377 (2015 - \$23,989) for the construction of new schools and for other capital projects.

The Board has long-term lease commitments with various expiry dates. The minimum payments are as follows:

| | |
|--------------|-----------------|
| 2017 | \$ 1,493 |
| 2018 | 1,178 |
| 2019 | 878 |
| 2020 | 495 |
| 2021 | 495 |
| Thereafter | 453 |
| Total | \$ 4,992 |

15. PARTNERSHIP IN HAMILTON-WENTWORTH STUDENT TRANSPORTATION SERVICES, A TRANSPORTATION CONSORTIUM

On April 1, 2009, the Board entered into an agreement with the Hamilton-Wentworth 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 Hamilton-Wentworth Student Transportation Services are shared. No partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board's consolidated financial statements to reflect the Board's portion of costs incurred. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

The Hamilton-Wentworth District School Board does not control any assets of the Hamilton-Wentworth Student Transportation Services. The Board has recorded its share of revenue and expenses in the Consolidated Statement of Operations.

16. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$16,675 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to re-finance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

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