

Consolidated financial statements of

**Toronto Catholic District
School Board**

August 31, 2016

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Toronto Catholic District School Board

August 31, 2016

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Management Report

Year ended August 31, 2016

Re: Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Toronto Catholic District School Board are the responsibility of the School 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(a) to the financial statements.

The preparation of the 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. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

Director of Education

Coordinating Superintendent, Business
and Chief Financial Officer

_____, 2016
Date

_____, 2016
Date

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Independent Auditor's Report

To the Board of Trustees of the
Toronto Catholic District School Board

We have audited the accompanying consolidated financial statements of Toronto Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, and the consolidated statements of operations, change in net debt and cash flows 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(a) 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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Toronto Catholic District School Board for the year ended August 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) 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.

Other Matter

The consolidated statement of financial position as at August 31, 2015 and the consolidated statements of operations, change in net debt and cash flows for the year then ended were audited by another auditor who issued an unmodified opinion on November 19, 2015.

Chartered Professional Accountants
Licensed Public Accountants
_____, 2016

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Toronto Catholic District School Board
Consolidated statement of financial position
as at August 31, 2016
(In thousands of dollars)

	2016	2015
	\$	\$
Assets		
Cash and cash equivalents	128,007	95,362
Accounts receivable	72,925	84,892
Account receivable - Government of Ontario - approved capital (Note 2)	348,411	363,384
Investments	250	300
Restricted cash (Note 11)	10,564	10,564
	560,157	554,502
Liabilities		
Accounts payable and accrued liabilities (Note 13(b))	88,696	78,428
Net long-term debt (Note 6)	345,040	348,702
Obligation under capital leases (Note 10)	1,552	3,299
Deferred revenue (Note 3)	134,317	140,732
Retirement and other employee future benefits payable (Note 9)	81,857	97,460
Deferred capital contributions (Note 4)	803,157	818,701
	1,454,619	1,487,322
Net debt	(894,462)	(932,820)
Non-financial assets		
Prepaid expenses	2,214	2,540
Tangible capital assets (Note 8)	1,099,053	1,074,789
	1,101,267	1,077,329
Commitments and contingencies (Note 13)		
Accumulated surplus	206,805	144,509
Approved on behalf of the Board		
_____ Chair of the Board		
_____ Director of Education		

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

Toronto Catholic District School Board

Consolidated statement of operations

year ended August 31, 2016

(In thousands of dollars)

		2016	2015
	Budget	Actual	Actual
	\$	\$	\$
Revenue			
Provincial grants			
Student needs	992,479	1,032,299	993,708
Amortization of deferred capital contributions (Note 4)	44,107	45,410	44,362
Other	13,485	14,984	14,921
School generated funds	27,355	29,184	29,472
Investment income	1,161	966	549
Other fees and revenue	65,076	58,218	49,542
	1,143,663	1,181,061	1,132,554
Expenses (Note 12)			
Instruction	849,840	863,747	860,073
Administration	24,763	23,060	23,090
Transportation	29,228	28,159	28,244
Pupil accommodation	157,899	153,604	148,427
School generated funds	27,355	28,389	28,926
Other	9,445	21,806	21,970
	1,098,530	1,118,765	1,110,730
Annual surplus	45,133	62,296	21,824
Accumulated surplus, beginning of year	122,051	144,509	122,685
Accumulated surplus, end of year	167,184	206,805	144,509

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

Toronto Catholic District School Board

Consolidated statement of change in net debt

year ended August 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
Annual surplus	62,296	21,824
Tangible capital asset activities		
Purchase of tangible capital assets	(72,928)	(76,483)
Amortization of tangible capital assets	48,664	46,225
Proceeds on sale of tangible capital assets	-	10,596
Gain on sale of tangible capital assets	-	(8,122)
	(24,264)	(27,784)
Other non-financial asset activities		
Acquisition of prepaid expenses	(2,214)	(2,540)
Use of prepaid expenses	2,540	2,189
	326	(351)
Change in net debt	38,358	(6,311)
Net debt, beginning of year	(932,820)	(926,509)
Net debt, end of year	(894,462)	(932,820)

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

Toronto Catholic District School Board

Consolidated statement of cash flows

year ended August 31, 2016

(In thousands of dollars)

	2016	2015
	\$	\$
Operating activities		
Annual surplus	62,296	21,824
Items not involving cash		
Amortization of tangible capital assets	48,664	46,225
Amortization of deferred capital contributions	(45,410)	(44,363)
Gain on sale of tangible capital assets	-	(8,122)
Changes in non-cash assets and liabilities		
Accounts receivable	11,967	339
Prepaid expenses	326	(351)
Accounts payable and accrued liabilities	10,268	(5,294)
Deferred revenue - operating	4,445	1,665
Retirement and other employee future benefits payable	(15,603)	(13,540)
	76,953	(1,617)
Capital activities		
Purchase of tangible capital assets	(72,928)	(76,483)
Proceeds on sale of tangible capital assets	-	10,596
	(72,928)	(65,887)
Investing activity		
Redemption (acquisition) of investments	50	(48)
Financing activities		
Decrease in account receivable -		
Government of Ontario approved capital, net	14,973	9,994
Debt issued	11,402	24,440
Debt repayment and sinking fund contributions	(15,064)	(13,604)
Repayment of obligations under capital lease	(1,747)	(1,523)
Additions to obligations under capital lease	-	474
Additions to deferred capital contributions	29,866	58,513
(Decrease) increase in deferred revenue - capital	(10,860)	10,705
	28,570	88,999
Increase in cash and cash equivalents	32,645	21,447
Cash and cash equivalents, beginning of year	95,362	73,915
Cash and cash equivalents, end of year	128,007	95,362

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

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

1. Significant accounting policies

The consolidated financial statements 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, Accounting Policies and Practices Public Entities ("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 ("Province"). A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian Public Sector Accounting Standards ("PSAS") 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 Regulation 395/11 of the Financial Administration Act. Regulation 395/11 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 consolidated 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. Regulation 395/11 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 PSAB, which requires that:

- (i) 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 PSAS PS3410;
- (ii) 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 PSAS PS3100; and
- (iii) property taxation revenue be reported as revenue when received or receivable in accordance with PSAS PS3510.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred revenue and deferred capital contributions would be recorded differently under PSAS.

(b) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity comprises all organizations which are controlled by the Toronto Catholic District School Board ("Board").

School generated funds, which include the assets, liabilities, revenue 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.

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

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

1. Significant accounting policies (continued)

(c) Trust funds

Trust funds and their related operations administered by the Board, amounting to \$496 (2015-\$512), have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations, as they are not controlled by the Board.

(d) Cash and cash equivalents

Cash and cash equivalents comprise 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 90 days or less.

(e) Investments

Temporary investments consist of marketable securities, which are liquid short-term investments with maturities of 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 fair 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 expenses 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, are recorded as deferred capital contributions, as defined in Regulation 395/11. These amounts are recognized as revenue in the consolidated statement of operations at the same rate as related tangible capital assets are amortized. The following items fall under this category:

- (i) government transfers received or receivable for capital purposes;
- (ii) other restricted contributions received or receivable for capital purposes; and
- (iii) amounts previously recognized as property taxation revenue 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, dental benefits, retirement gratuity, worker's compensation, accumulated sick leave and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

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

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

1. Significant accounting policies (continued)

(h) Retirement and other employee future benefits (continued)

(i) (continued)

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 costs are recognized over the expected average service life of each employee group.

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, 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 cost of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees 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 that 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 class	Estimated useful life in years
Land improvements 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 lease term

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.

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

1. Significant accounting policies (continued)

(j) *Tangible capital assets (continued)*

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 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, educational development charges and special education is added to the deferred revenue and forms part of the respective deferred revenue balances.

(l) *Long-term debt*

Long-term debt is recorded net of related sinking fund balances.

(m) *Liability for contaminated sites*

The Board reviews its sites, which are no longer in productive use, annually to assess whether contamination has occurred that would require the recording of a liability in the financial statements.

(n) *Budget figures*

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees ("Trustees"). The budget approved annually 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. The approved operating budget for 2015 - 2016 is reflected on the consolidated statement of operations. The budget was approved on June 4, 2015. As the Board only prepares a budget for the statement of operations, budget figures in the consolidated statement of change in net debt have not been provided.

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

1. Significant accounting policies (continued)

(o) 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 revenue 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. Accounts subject to significant estimates include accrued liabilities, retirement and other employee future benefits payable, useful lives of tangible capital assets and the recognition of deferred amounts related to capital contributions.

(p) Property tax revenue

Under PSAS, 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.

2. Account receivable - Government of Ontario

The Province replaced variable capital funding with a one-time debt support grant in 2009 - 2010. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive 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 \$348,411 as at August 31, 2016 (2015 - \$363,384) with respect to capital grants.

3. 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 externally restricted for specific purposes by legislation, regulation or agreement as at August 31, 2016 is comprised of:

	Balance, August 31, 2015	Externally restricted revenue and investment income	Revenue recognized during the year	Transfers to deferred capital contributions	Balance, August 31, 2016
	\$	\$	\$	\$	\$
Pupil accommodation	10,295	17,481	(2,221)	(447)	25,108
Education development charges	37,754	13,399	(25,248)	-	25,905
Proceeds of disposition	56,292	1,447	(35)	(3,589)	54,115
Financial contributions	2,305	-	-	-	2,305
Other	34,086	192,803	(181,174)	(18,831)	26,884
	140,732	225,130	(208,678)	(22,867)	134,317

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

4. 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	818,701	804,551
Additions to deferred capital contributions	29,866	58,513
Revenue recognized in the year	(45,410)	(44,363)
Balance, end of year	<u>803,157</u>	<u>818,701</u>

5. Temporary borrowing

The Board has an operating line of credit available to a maximum of \$65,000 to address operating requirements. No amounts have been drawn as at August 31, 2016 (2015 - \$Nil).

Interest on the operating facility is at the bank's prime lending rate minus 0.65%, which is due on demand.

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Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

6. Net long-term debt

- a) Net long-term debt reported on the consolidated statement of financial position comprises the following:

	Interest rate	Maturity date	2016	2015
	\$	\$	\$	\$
Debenture CIBC Mellon Trust Series 2002-A2	5.900	October 11, 2027	63,985	67,783
Debenture CIBC Mellon Trust Series 2003-A2	5.800	November 7, 2028	33,753	35,551
Debenture Ontario Financing Authority ("OFA") Series 2009-A2	5.347	November 15, 2033	19,580	20,242
Debenture OFA Series 2009-A4	5.105	May 15, 2029	16,607	17,489
Debenture OFA Series 2007	4.560	November 15, 2031	10,741	11,209
Debenture OFA Series 2009-A3	5.062	March 13, 2034	10,702	11,066
Debenture CIBC Mellon Trust Series 2002-A1 sinking fund	5.700	October 11, 2017	11,858	11,858
Debenture OFA Series 2010-A345	5.232	April 13, 2035	9,994	10,299
Debenture OFA Series 2008	4.900	March 3, 2033	9,415	9,770
Debenture OFA Series 2009-A5	4.672	May 15, 2024	3,381	3,722
Debenture CIBC Mellon Trust Series 2000-A1	7.200	June 9, 2025	3,670	3,951
Debenture OFA Series 2010-A1	4.762	November 15, 2029	3,196	3,361
Debenture OFA Series 2009-A1	4.766	November 15, 2024	2,495	2,728
Debenture OFA Series 2010-A2	4.337	November 15, 2024	1,064	1,165
Debenture OFA Series 2013	3.663	June 25, 2038	54,199	55,768
Debenture OFA Series 2014	4.037	October 30, 2028	27,225	28,878
Debenture OFA Series 2014B	4.033	March 11, 2039	33,343	34,225
Debenture OFA Series 2015	2.993	March 9, 2040	23,764	24,440
Debenture OFA Series 2016	3.242	November 16, 2040	11,402	-
			350,374	353,505
Less: sinking fund assets			5,334	4,803
Balance, end of year			345,040	348,702

- b) Principal, sinking fund contributions and interest payments on the debenture debt due over the next five years and thereafter are as follows:

Fiscal year	Principal and sinking fund contributions	Interest payments	Total
	\$	\$	\$
2016/2017	15,567	16,369	31,936
2017/2018	22,869	15,252	38,121
2018/2019	17,164	14,095	31,259
2019/2020	18,026	13,234	31,260
2020/2021	18,933	12,327	31,260
Thereafter	252,481	76,312	328,793
	345,040	147,589	492,629

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

6. Net long-term debt (continued)

Sinking fund assets are administered by the Ontario School Board Financing Corporation and have a fair value of \$5,754 (2015 - \$4,997) with a cost of \$5,334 (2015 - \$4,803). Sinking fund assets comprise short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds, with a debenture value of \$ 11,858 (2015 - \$11,858).

Interest on net long-term debt amounted to \$16,904 (2015 - \$16,959).

7. Debt repayment and sinking fund contributions

The expenditure for debt charges, capital loans and capital leases includes principal payments, debt maturity, sinking fund contributions and interest payments as follows:

	2016	2015
	\$	\$
Principal payments on net debt, including contributions to sinking funds	14,780	13,430
Principal payments on capital leases	1,747	1,523
Interest payments on net debt	16,793	16,810
Interest payments on capital leases	53	88
	33,373	31,851

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows of \$15,064 (2015 - \$13,604) are principal payments on net debt, including contributions to sinking funds of \$14,780 (2015 - \$13,430), sinking fund interest revenue of \$284 (2015 - \$174) and debt maturity of \$Nil (2015 - \$Nil).

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

8. Tangible capital assets

	Balance, September 1, 2015		Additions and transfers		Disposals		Cost, August 31, 2016		Balance, September 1, 2015		Amortization		Accumulated amortization, August 31, 2016		Net book value	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	242,722	42,199	-	-	-	-	284,921	-	-	-	-	-	-	-	284,921	242,722
Land improvements	19,091	3,248	-	-	-	-	22,339	3,997	-	1,497	-	-	5,494	-	16,845	15,094
Buildings	1,251,425	20,357	-	-	-	-	1,271,782	479,557	-	41,151	-	-	520,708	-	751,074	771,868
Furniture and equipment	31,451	7,781	-	-	1,671	-	37,561	10,592	-	4,444	-	-	13,365	-	24,196	20,859
Construction in progress	20,995	(657)	-	-	-	-	20,338	-	-	-	-	-	-	-	20,338	20,995
Capital leased assets	6,375	-	-	-	-	-	6,375	3,124	-	1,572	-	-	4,696	-	1,679	3,251
	1,572,059	72,928	1,671	1,671	1,671	1,643,316	497,270	48,664	1,671	544,263	1,099,053	1,074,789				

Assets under construction

Assets under construction of \$20,338 (2015 - \$20,995) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

9. Retirement and other employee future benefits

				2016	2015
	Pension benefits	Retirement benefits	Other employee future benefits	Total	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation					
Balance, beginning of year	2,990	85,064	8,211	96,265	107,586
Employer current service cost	-	-	865	865	1,340
Interest on accrued benefit obligation	68	1,862	181	2,111	3,290
Benefits paid	(216)	(11,356)	(1,392)	(12,964)	(14,153)
Change due to Voluntary Early Gratuity Payout	-	(4,640)	-	(4,640)	-
Actuarial, (gains) losses	100	1,314	(1,409)	5	(1,798)
Balance, end of year	2,942	72,244	6,456	81,642	96,265
Unamortized actuarial gains (losses)		(136)	351	215	1,195
Accrued benefit liability	2,942	72,108	6,807	81,857	97,460
Retirement and other employee future benefits expense ⁽ⁱ⁾					
Current year benefit costs	-	-	865	865	1,340
Interest on accrued benefit obligation	68	1,862	181	2,111	3,290
Amortization of actuarial (gains) losses	100	(122)	(953)	(975)	(4,597)
Employee future benefits expense ⁽ⁱ⁾	168	1,740	93	2,001	33

⁽ⁱ⁾ Excluding pension contributions to OMERS, a multi-employer pension plan described below.

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

9. Retirement and other employee future benefits (continued)

The amounts of the employee future benefit liabilities for the other post-employment benefits are based on actuarial valuations for accounting purposes as at August 31, 2016. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations and the Board's best estimates of expected rates are as follows:

	Retirement benefits		Other employee future benefits	
	2016	2015	2016	2015
Discount on accrued benefit obligations	2.35%	2.35%	2.35%	2.35%
Wage and salary escalation	-	-	-	-
Dental costs escalation	4.50%	4.50%	4.50%	4.50%
Insurance and health care cost escalation	7.70% per annum grading down to an ultimate rate of 4.50%	7.70% per annum grading down to an ultimate rate of 4.50%	7.70% per annum grading down to an ultimate rate of 4.50%	7.70% per annum grading down to an ultimate rate of 4.50%

(a) Retirement gratuity plans

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 now based on their salary, accumulated sick days and years of service at August 31, 2012.

Voluntary Retirement Gratuity Early Payout Provision

During the period ended August 31, 2016, Ontario English Catholic Teachers Association ("OECTA"), Canadian Union of Public Employees ("CUPE"), Education Worker Alliance of Ontario ("EWAO"), Association of Professional Student Service Personnel ("APSSP"), Elementary Principals Association ("TCPA"), Secondary Principals Association ("SSPA"), Elementary Vice Principals Association ("TCVPA"), Secondary Vice Principals Association ("SSVPA"), and the Management, Administrative and Professional Association ("MAPA"), 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 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 loss of \$820 in the board's 2015-16 year financial statements. This resulted in the board's employee future benefit liability decreasing by \$5,460.

(b) 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 illness paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$370 (2015 - \$370).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2016 (the date at which probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2016.

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

9. Retirement and other employee future benefits (continued)

(c) Workplace Safety and Insurance Board ("WSIB")

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act ("WSI Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the WSI Act. The Board does not fund these obligations in advance of payment made under the WSI Act. School boards are required to provide salary top-up to a maximum of 4 1/2 years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. WSIB amounts paid in the year were \$1,392 (2015 - \$1,956).

(d) Post-employment benefits

Certain senior staff who retire or leave under a voluntary exit plan may elect, if their contractual arrangements permit, to continue coverage of health insurance and/or dental insurance and life insurance. The Board will pay 100% of the cost and the coverage terminates when the employee reaches age 65. In addition, supervisory office, non-union, office, clerical, technical and custodial staff are eligible for a \$5 life insurance benefit if they retire on or after age 65. Post-employment benefits paid in the year were \$216 (2015 - \$189). The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

(e) Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of the Ontario Teachers' Pension Plan. Employer contributions for these employees are provided directly by the Province. 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.

(f) Ontario Municipal Employees Retirement System ("OMERS")

All non-teaching employees of the Board are eligible to be members of OMERS, a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employees contribute up to 8.8% of their earnings and the Board matches the employee contributions to the plan. During the year ended August 31, 2016, the Board contributed \$15,125 (2015 - \$15,007) 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.

(g) Benefit Plan Future Changes

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals 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: OECTA, CUPE, EWAQ, APSSP, and non-unionized employees including principals and vice principals. The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board will no longer be responsible to provide benefits to the above mentioned groups once they migrate to their respective ELHTs. The Board will transfer to the ELHTs an amount per full-time equivalency ("FTE") 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. Where collective agreements use the fixed amount per FTE approach, the Ministry will fund the school boards for any shortfall that is created to reach the agreed upon fixed amount per FTE where it is more than the amount described above. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

10. Obligations under capital leases

The Board has obligations under various capital leases with expiries ranging from 2017 to 2020 and carry an interest rate of 2.35%. Principal and interest payments relating to capital lease obligations of \$1,552 (2015 - \$3,299) outstanding as at August 31, 2016 are due as follows:

	Principal payment	Interest	Total
	\$	\$	\$
2016/2017	1,251	37	1,288
2017/2018	227	13	240
2018/2019	74	4	78
2019/2020	-	-	-
2020/2021	-	-	-
	1,552	54	1,606

11. Restricted cash

Effective March 9, 2011, the Board entered into an agreement for the purchase of the Loretto Abbey Catholic Secondary School (the "Abbey"). A portion of the purchase price was held back due to tenants wanting to still live at the Abbey and will not be payable until the tenants leave the premises. The cash balance of \$10,564 (2015 - \$10,564) is restricted for these payments.

12. Expenses by object

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

	Budget 2016	Actual 2016	Actual 2015
	\$	\$	\$
Salary and wages	769,680	790,959	787,607
Employee benefits	130,310	123,870	118,507
Staff development	1,460	557	906
Supplies and services	65,336	89,047	86,731
Debt charges and interest	17,884	16,904	16,959
Rental	4,922	4,478	3,688
Fees and contract services	61,422	40,062	43,431
Other	141	4,224	6,676
Amortization of tangible capital assets	47,375	48,664	46,225
	1,098,530	1,118,765	1,110,730

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

13. Commitments and contingencies

(a) Commitments

(i) Construction commitments

Commitments on incomplete construction contracts for various school building projects amounted to approximately \$45,954 (2015 - \$10,195) as at August 31, 2016.

(ii) Letters of credit

The Board has 50 (2015 - 45) bank letters of credit outstanding in favour of the local government totaling \$6,282 (2015 - \$4,774) as at August 31, 2016, pertaining to construction projects. The latest expiry date is August 30, 2017.

(iii) Operating leases and maintenance contracts

The Board has operating leases and maintenance contracts with the following annual payments:

	\$
2016/2017	9,229
2017/2018	7,816
2018/2019	3,213
2019/2020	3,159
2020/2021	2,302
Thereafter	34,605
	60,324

(b) Contingencies

(iv) Legal claims

The Board has been named as the defendant in certain legal actions, in which damages have been sought. Any losses arising from these actions are recorded in the year that the related litigation is settled or when any likely amounts are measurable. Where the outcomes of actions are not determinable as at August 31, 2016, no provision is made in the consolidated financial statements.

14. Ontario School Board Insurance Exchange ("OSBIE")

The Board is a member of OSBIE, a reciprocal insurance company licensed under the Insurance Act that is funded by the member boards across Ontario. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24,000 per occurrence.

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

Toronto Catholic District School Board

Notes to the consolidated financial statements

August 31, 2016

(In thousands of dollars)

15. Repayment of The "55 School Board Trust" funding

On June 1, 2003, the Board received \$50,415 from The "55 School Board Trust" (the "Trust") for its capital-related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the Trust. The Trust was created to refinance the outstanding not permanently financed ("NPF") debt of participating boards that are beneficiaries of the Trust. Under the terms of the agreement, the 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.

The flow-through of \$3,765 (2015 - \$3,765) in grants in respect of the above agreement for the year ended August 31, 2016, is recorded in these consolidated financial statements.

16. Toronto Transportation Group

On September 21, 2011, the Toronto Transportation Group was created as a Membership Agreement between the Board and the Toronto District School Board in order to provide common administration of student transportation in the City. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the school boards. Under the agreement, decisions related to the financial and operating activities of the Toronto Transportation Group are shared. No party is in a position to exercise unilateral control.

The Board's portion of transportation expenses has been included in the consolidated statement of operations.

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