



Durham District School Board

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

September 1, 2015 – August 31, 2016

DURHAM DISTRICT SCHOOL BOARD

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Durham District School Board are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, Chartered Professional Accountants, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.



Director of Education



Chief Financial Officer

November 21, 2016



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Durham District School Board

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation 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.



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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Durham District School Board as at August 31, 2016, and its consolidated results of operations and accumulated surplus, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 21, 2016
Vaughan, Canada

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2016, with comparative information for 2015

	2016	2015
Financial assets		
Cash and cash equivalents	\$ 71,309,087	\$ 93,240,027
Accounts receivable (note 2)	314,942,124	312,346,511
Long-term investments (note 3)	14,863,976	14,863,976
Assets held for sale (note 4)	50,000	—
	<u>401,165,187</u>	<u>420,450,514</u>
Financial liabilities		
Accounts payable and accrued liabilities	37,442,544	57,849,115
Temporary borrowing (note 9)	5,000,000	22,000,000
Deferred revenue (note 5)	7,862,166	10,773,975
Retirement and other employee future benefits (note 7)	49,086,725	54,506,854
Net debenture debt and capital loans (note 8)	290,456,933	286,235,696
Deferred capital contributions (note 6)	630,749,505	609,051,714
	<u>1,020,597,873</u>	<u>1,040,417,354</u>
Net debt	(619,432,686)	(619,966,840)
Non-financial assets		
Tangible capital assets (note 12)	837,497,351	807,877,441
Inventory and other assets	836,106	785,408
	<u>838,333,457</u>	<u>808,662,849</u>
Contractual obligations (note 16)		
Accumulated surplus (note 13)	<u>\$ 218,900,771</u>	<u>\$ 188,696,009</u>

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget 2016 (note 17)	Actual 2016	Actual 2015
Revenues:			
Local taxation	\$ 165,664,548	\$ 168,775,915	\$ 167,394,190
Provincial grants - grants for student needs	581,437,059	592,762,779	560,605,535
Provincial grants - other	4,313,091	6,451,126	9,025,356
Federal grants and fees	758,900	1,803,451	2,043,489
Other revenue - school boards	99,370	24,500	99,149
School-generated funds	18,700,700	17,832,484	17,915,686
Individual tuition fees	1,060,100	970,616	990,404
Other fees and revenue	4,609,576	10,556,945	9,212,385
Investment income:			
Operations	500,000	958,757	912,616
Sinking fund assets	9,158,000	9,717,067	9,526,222
	<u>786,301,344</u>	<u>809,853,640</u>	<u>777,725,032</u>
Expenses (note 11):			
Instruction	590,093,467	592,871,749	563,132,543
Administration	17,769,155	17,090,602	17,138,383
School-funded activities	18,700,700	17,283,778	17,594,808
Transportation	20,410,642	20,631,222	20,375,762
Pupil accommodation	126,508,294	124,076,692	121,755,115
Other	2,470,532	7,694,835	8,489,869
	<u>775,952,790</u>	<u>779,648,878</u>	<u>748,486,480</u>
Annual surplus	10,348,554	30,204,762	29,238,552
Accumulated surplus, beginning of year	171,527,765	188,696,009	159,457,457
Accumulated surplus, end of year (note 13)	<u>\$ 181,876,319</u>	<u>\$ 218,900,771</u>	<u>\$ 188,696,009</u>

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Net Debt

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

	Actual 2016	Actual 2015
Annual surplus	\$ 30,204,762	\$ 29,238,552
Amortization of tangible capital assets	35,539,259	33,267,453
Proceeds on disposal of tangible capital assets	1,650,000	–
Transfer to assets held for sale	50,000	–
Change in non-financial assets' inventory and other assets	(50,698)	36,510
Gain (loss) on disposal of tangible capital assets	(1,268,330)	453,074
Purchase of tangible capital assets	(65,590,839)	(63,382,108)
Increase (decrease) in net debt	534,154	(386,519)
Net debt, beginning of year	(619,966,840)	(619,580,321)
Net debt, end of year	\$ (619,432,686)	\$ (619,966,840)

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

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

	Actual 2016	Actual 2015
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 30,204,762	\$ 29,238,552
Items not involving cash:		
Amortization of tangible capital assets	35,539,259	33,267,453
Amortization of deferred capital contributions	(29,621,651)	(27,879,682)
Loss (gain) on disposal of tangible capital assets	(1,268,330)	453,074
Net proceeds on sale of land	1,650,000	-
Change in non-cash assets and liabilities:		
Accounts receivable	(2,595,613)	10,021,173
Inventory and other assets	(50,698)	36,510
Accounts payable and accrued liabilities	(20,406,571)	16,371,008
Deferred revenue	(2,911,809)	(7,411,767)
Retirement and other employee future benefits	(5,420,129)	(2,550,551)
	5,119,220	51,545,770
Capital activities:		
Purchase of tangible capital assets	(65,590,839)	(63,382,108)
Financing activities:		
Temporary borrowing	(17,000,000)	(28,000,000)
Debt issued	25,580,732	35,634,064
Debt repaid and sinking fund contributions	(11,642,427)	(10,475,379)
Increase in sinking fund assets	(9,717,068)	(9,526,222)
Additions to deferred capital contributions	51,319,442	62,331,977
	38,540,679	49,964,440
Increase (decrease) in cash and cash equivalents	(21,930,940)	38,128,102
Cash and cash equivalents, beginning of year	93,240,027	55,111,925
Cash and cash equivalents, end of year	\$ 71,309,087	\$ 93,240,027

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2016

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

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

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

1. Significant accounting policies (continued):

- (i) 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, Government Transfers;
- (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 Public Sector Accounting Standard PS3100, Restricted Assets and Revenues; and
- (iii) property taxation revenue be reported as revenue when received or receivable in accordance with Public Sector Accounting Standard PS3510, Tax Revenue.

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred revenue 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, expenses and accumulated surplus of the reporting entity. The reporting entity comprises all organizations accountable for the administration of their financial affairs and resources to Durham District School Board (the "Board") and which are controlled by the Board.

School-generated funds, which include the assets, liabilities, revenues, expenses and accumulated surplus 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.

(c) Trust funds:

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

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

1. Significant accounting policies (continued):

(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 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 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 when the asset has been acquired as required by Regulation 395/11. These amounts are recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate and over the same period that the related tangible capital asset is amortized. The following items fall under this category:

- (i) government transfers received or receivable for capital purpose;
- (ii) other restricted contributions received or receivable for capital purpose; and
- (iii) property taxation revenue which were historically used to fund capital assets.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

1. Significant accounting policies (continued):

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012, at which time, the plan was curtailed, and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as 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.

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

- (ii) The cost of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pension, is the employer's contribution due to the plan during the year.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the year.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

1. Significant accounting policies (continued):

(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. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

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

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

Land improvements	15 years
Buildings	20 years and 40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years

Assets under construction 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 net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and their carrying values are written down to their residual value. Tangible capital assets that 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.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

1. Significant accounting policies (continued):

(j) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the year 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 earned is reported as revenue in the fiscal year earned.

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

(l) Long-term debt:

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

(m) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees (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.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of operations and accumulated surplus in the year in which they become known. Significant estimates include assumptions used in estimating the collectibility of accounts receivable to determine the allowance for doubtful accounts, estimating the impairment of investments to determine their fair value, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. In addition, the Board's implementation of Public Sector Accounting Standard PS3150, Tangible Capital Assets, requires management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

(o) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) the Board is directly responsible or accepts responsibility for the liability;
- (iv) future economic benefits will be given up; and
- (v) a reasonable estimate of the liability can be made.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

2. Accounts receivable - Government of Ontario:

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

Included in accounts receivable is an amount from the Province of \$285,672,407 (2015 - \$286,175,905) as at August 31, 2016 with respect to capital grants.

3. Long-term investments:

Long-term investments consist of the following investments in trust units, which have underlying investments in various asset-backed securities, such as residential mortgage-back securities, commercial mortgage-back securities and other debt obligations.

	2016	2015
Apsley Trust, maturing December 2016	\$ 10,000,000	\$ 10,000,000
Silverstone Trust, maturing December 2016	11,000,000	11,000,000
	21,000,000	21,000,000
Less allowance for impairment	6,136,024	6,136,024
	\$ 14,863,976	\$ 14,863,976

These asset-backed commercial paper ("ABCP") investments have matured according to their original maturity dates but no payment has been received. The maturity dates of the Apsley and Silverstone Trust units have been extended to December 2016. In January 2009, the trust units were converted to a Master Asset Vehicle II Trust Indenture, with consistent underlying investments. Management assessed the fair value of the ABCP investments considering the available data regarding market conditions for such investments at August 31, 2016 and did not record any additional impairment in value (2015 - nil).

On March 17, 2008, all affected ABCP investments were placed under the Companies' Creditors Arrangement Act protection. There is no certainty regarding the ultimate realization of the ABCP investments and, therefore, there is uncertainty in estimating the amount and timing of the cash flows associated with these investments. In the current year, \$44,613 (2015 - \$107,054) of interest was received by the Board related to the ABCP investments.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

4. Assets held for sale:

During the year, a property with a net book value of \$50,000 was reclassified to assets held for sale (2015 - nil).

During the year, one school property was sold with net proceeds of \$1,650,000 with a carrying value of nil, resulting in a gain of \$1,650,000.

5. Deferred revenue:

Revenue received that has been set aside for specific purposes by legislation, regulation or agreement is included in deferred revenue and reported in the consolidated statement of financial position.

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

2016	Deferred revenue, beginning of year	Increase	Decrease	Deferred revenue, end of year
Education development charges	\$ 933,935	\$ 3,539,384	\$ 4,473,319	\$ –
Proceeds of disposition, including interest allocation	6,058,696	1,650,000	5,242,205	2,466,491
Other:				
Capital	681,235	11,060,320	8,687,515	3,054,040
Operating	3,100,109	101,384,957	102,143,431	2,341,635
	\$ 10,773,975	\$ 117,634,661	\$ 120,546,470	\$ 7,862,166

2015	Deferred revenue, beginning of year	Increase	Decrease	Deferred revenue, end of year
Education development charges	\$ –	\$ 5,120,394	\$ 4,186,459	\$ 933,935
Proceeds of disposition, including interest allocation	8,437,961	85,000	2,464,265	6,058,696
Other:				
Capital	1,594,115	15,774,828	16,687,708	681,235
Operating	8,153,666	100,771,777	105,825,334	3,100,109
	\$ 18,185,742	\$ 121,751,999	\$ 129,163,766	\$ 10,773,975

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

6. 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 useful life of the asset acquired.

	2016	2015
Balance, beginning of year	\$ 609,051,714	\$ 574,599,419
Additions to deferred capital contributions	51,319,442	62,331,977
Revenue recognized in the year	(29,621,651)	(27,879,682)
Balance, end of year	\$ 630,749,505	\$ 609,051,714

7. Retirement and other employee future benefits:

Retirement and other employee future benefits liabilities:

	Retirement benefits	Other employee future benefits	Total employee future benefits
2016			
Accrued employee future benefits liability	\$ 46,170,617	\$ 8,264,882	\$ 54,435,499
Unamortized actuarial loss	(5,348,774)	-	(5,348,774)
Employee future benefits liability at August 31	\$ 40,821,843	\$ 8,264,882	\$ 49,086,725

	Retirement benefits	Other employee future benefits	Total employee future benefits
2015			
Accrued employee future benefits liability	\$ 50,861,669	\$ 6,733,008	\$ 57,594,677
Unamortized actuarial loss	(3,087,823)	-	(3,087,823)
Employee future benefits liability at August 31	\$ 47,773,846	\$ 6,733,008	\$ 54,506,854

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

7. Retirement and other employee future benefits (continued):

Retirement and other employee future benefits expense:

	Retirement benefits	Other employee future benefits	Total employee future benefits
2016			
Current year benefit cost	\$ –	\$ 2,577,888	\$ 2,577,888
Interest on accrued benefit obligation	628,213	174,610	802,823
Amortized actuarial loss ((b)(iv))	337,958	75,169	413,127
Employee future benefits expense⁽¹⁾	\$ 966,171	\$ 2,827,667	\$ 3,793,838

	Retirement benefits	Other employee future benefits	Total employee future benefits
2015			
Current year benefit cost	\$ –	\$ 2,781,432	\$ 2,781,432
Interest on accrued benefit obligation	1,578,386	156,381	1,734,767
Amortized actuarial loss (gain) ((b)(iv))	133,223	(34,691)	98,532
Employee future benefits expense⁽¹⁾	\$ 1,711,609	\$ 2,903,122	\$ 4,614,731

⁽¹⁾Excluding pension contributions to OMERS, a multi-employer pension plan described below.

(a) Plan changes:

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. As a result, employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and were replaced with a new short-term leave and disability plan.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

7. Retirement and other employee future benefits (continued):

In 2013, further changes were made to the short-term leave and disability plan. Under the new short-term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short-term leave and disability plan in that year. A new provision was established as at August 31, 2013, representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who retired in 2012 - 2013. Effective September 1, 2013, any new retiree accessing retirement life insurance and health care benefits will pay the full premiums for such benefits and are included in a separate experience pool that is self-funded.

(b) Retirement benefits:

(i) 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 cost 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 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 \$9,845,719 (2015 - \$9,721,427) 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.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

7. Retirement and other employee future benefits (continued):

(iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. In 2013, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days and years of service at August 31, 2012.

Voluntary Retirement Gratuity Early Payout Provision:

During 2015 and 2016, ETFO, OSSTF and CUPE ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided ETFO, OSSTF and CUPE 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 amounts were paid 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 (gains or losses) in the Board's 2015-16 year financial statements. This resulted in the Board's employee future benefit liability decreasing by \$3,494,900.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

7. Retirement and other employee future benefits (continued):

(iv) Retirement life insurance and health care benefits:

The Board continues to make available life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age at 100% cost to the retiree. 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.

(c) Other employee future benefits:

(i) Sick leave top-up benefits:

As a result of new changes made in 2013 to the short-term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$340,824 (2015 - \$230,964).

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 and is based on the average daily salary and banked sick days of employees as at August 31, 2016.

(ii) Workplace Safety and Insurance Board ("WSIB") obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Board Act (the "Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The plan changes made in 2012 now require school boards to provide salary top-up to a maximum of 4-1/2 years for employees receiving payments from WSIB, where previously negotiated collective agreement included such provision. The Board restricted \$5,154,362 (2015 - \$5,154,362) of its accumulated surplus for the future WSIB liability (note 13).

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

7. Retirement and other employee future benefits (continued):

(iii) 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 cost of health care benefits under this plan. Most employee groups pay 100% of the cost of health care benefits. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on actuarial valuations for accounting purposes as of August 31, 2016 and based on updated average daily salary and banked sick days as at August 31, 2016. These actuarial valuations were based on the plan changes outlined above and assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates:

	2016	2015
Inflation	1.50%	1.50%
Wages and salary escalation	0.00%	0.00%
Insurance and health care cost escalation	3.00% - 8.00%	3.00% - 8.50%
Discount on accrued benefit obligations	2.05%	2.45%

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

7. Retirement and other employee future benefits (continued):

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts ("ELHTs") will be established in 2016-17 for the following employee groups: ETFO, ETFO-EW, OSSTF, CUPE and non-unionized employees, including principals and vice-principals. The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting in 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 ELHTs for the provision of employee and retiree benefits.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

8. Net debenture debt and capital loans:

	2016	2015
Debenture #1:		
6.75%, 20-year sinking fund debenture for \$160,000,000, maturing November 2019	\$ 160,000,000	\$ 160,000,000
Debenture #2:		
5.7%, 15-year sinking fund debenture for \$70,000,000, maturing October 2017	70,000,000	70,000,000
Debenture #3:		
5.6%, 15-year amortizing debenture for \$20,000,000 held with the Bank of Montreal, maturing July 2019	10,624,419	11,661,737
Capital loan - Good Places to Learn:		
4.56%, 25-year amortizing debenture for \$25,375,026 held with Ontario Financing Authority, maturing November 2031	18,873,793	19,696,443
4.90%, 25-year amortizing loan for \$14,996,927 held with Ontario Financing Authority, maturing March 2033	11,941,313	12,391,014
5.06%, 25-year amortizing loan for \$15,944,350 held with Ontario Financing Authority, maturing March 2034	13,227,485	13,676,161
5.232%, 25-year amortizing loan for \$34,865,412 held with Ontario Financing Authority, maturing April 2035	30,031,065	30,944,282
4.83%, 25-year amortizing loan for \$17,404,657 held with Ontario Financing Authority, maturing March 11, 2036	15,338,397	15,792,030
Capital loan - New Pupil Places:		
4.86%, 25-year amortizing loan for \$16,000,000 held with Ontario Financing Authority, maturing June 2033	12,932,482	13,408,035
5.047%, 25-year amortizing loan for \$74,957,615 held with Ontario Financing Authority, maturing November 2034	63,377,563	65,412,136
3.97%, 25-year amortizing loan for \$1,772,255 held with Ontario Financing Authority, maturing March 2036	1,585,954	1,635,310
3.564%, 25-year amortizing loan for \$13,710,012 held with Ontario Financing Authority, maturing March 2037	12,226,381	12,617,168
4.003%, 25-year amortizing loan for \$12,786,341 held with Ontario Financing Authority, maturing March 2039	12,156,292	12,477,559
2.993%, 25-year amortizing loan for \$35,634,064 held with Ontario Financing Authority, maturing March 2040	34,648,368	35,634,064
3.242%, 25-year amortizing loan for \$25,580,732 held with Ontario Financing Authority, maturing March 2041	25,580,732	—
	492,544,244	475,345,939
Less sinking fund assets	202,087,311	189,110,243
	\$ 290,456,933	\$ 286,235,696

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

8. Net debenture debt and capital loans (continued):

Principal and interest payments relating to net debenture debt and capital loans of \$290,456,933 (2015 - \$286,235,696) outstanding as at August 31, 2016 and 2015 are due as follows:

2016	Principal and sinking fund contributions	Interest	Total
2016 - 2017	\$ 10,963,033	\$ 26,370,670	\$ 37,333,703
2017 - 2018	78,412,435	23,934,667	102,347,102
2018 - 2019	17,509,388	21,423,230	38,932,618
2019 - 2020	169,558,380	15,225,006	184,783,386
2020 - 2021	9,992,437	9,390,950	19,383,387
Thereafter	206,108,571	75,042,777	281,151,348
	492,544,244	171,387,300	663,931,544
Less sinking fund assets	202,087,311	—	202,087,311
	\$ 290,456,933	\$ 171,387,300	\$ 461,844,233

2015	Principal and sinking fund contributions	Interest	Total
2015 - 2016	\$ 11,634,297	\$ 25,947,589	\$ 37,581,886
2016 - 2017	10,288,518	25,546,842	35,835,360
2017 - 2018	74,444,606	23,133,196	97,577,802
2018 - 2019	16,779,887	20,644,847	37,424,734
2019 - 2020	168,805,037	14,470,465	183,275,502
Thereafter	193,393,594	75,735,120	269,128,714
	475,345,939	185,478,059	660,823,998
Less sinking fund assets	189,110,243	—	189,110,243
	\$ 286,235,696	\$ 185,478,059	\$ 471,713,755

Retirement of sinking funds in the year that they mature are not included as payments in the above tables.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

8. Net debenture debt and capital loans (continued):

Included in net debenture debt are outstanding debentures of \$230,000,000 (2015 - \$230,000,000) secured by sinking fund assets with a carrying value of \$202,087,311 (2015 - \$189,110,243) (approximate market value of \$222,609,555 (2015 - \$204,171,000)). Sinking fund assets comprise government and government-guaranteed bonds.

9. Temporary borrowing:

The Board has a line of credit available to the maximum of \$80,000,000 to address operating requirements and/or to bridge capital expenditures.

Interest on the bankers' acceptance facility is the bankers' acceptance rate plus 0.75%. All loans are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdrafts.

As at August 31, 2016, the amount drawn under the bankers' acceptance facility was \$5,000,000 (2015 - \$22,000,000) at a rate of 1.64% (2015 - 1.73%).

10. Debt charges and interest on capital loans and leases:

	2016	2015
Debtenture and capital loan principal payments, including contributions to sinking funds	\$ 11,642,427	\$ 10,350,721
Principal payments on capital leases	–	124,658
Interest on debentures and capital loan	26,310,098	26,192,552
Interest on capital leases	–	2,180
	<u>\$ 37,952,525</u>	<u>\$ 36,670,111</u>

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of \$21,359,494 (2015 - \$20,001,601) are principal payments on long-term debt of \$11,642,427 (2015 - \$10,475,379) and sinking fund interest revenue of \$9,717,067 (2015 - \$9,526,222).

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

11. Expenses by object:

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

	Budget 2016 (note 17)	Actual 2016	Actual 2015
Salary and wages	\$ 539,393,970	\$ 545,102,644	\$ 516,052,231
Employee benefits	79,341,730	75,943,479	75,107,666
Staff development	726,620	762,308	797,007
Supplies and services	46,255,387	44,026,350	43,936,139
Interest (note 8)	26,450,086	26,428,006	26,194,732
Rental expenditures	393,100	538,144	564,381
Fees and contract services	24,936,797	25,965,385	25,510,049
Other	3,092,002	7,677,853	9,008,940
School funded activities	18,700,700	17,283,778	17,594,808
Amortization and loss on disposal of tangible capital assets	36,662,398	35,920,931	33,720,527
	<u>\$ 775,952,790</u>	<u>\$ 779,648,878</u>	<u>\$ 748,486,480</u>

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

12. Tangible capital assets:

Cost	Balance at August 31, 2015	Additions	Disposals and adjustments	Balance at August 31, 2016
Land	\$ 95,923,098	\$ 13,057,191	\$ (50,000)	\$ 108,930,289
Land improvements	4,488,586	609,388	–	5,097,974
Buildings - 40 years	912,535,065	21,438,760	43,996,532	977,970,357
Buildings - 20 years	–	690,236	54,720	744,956
Portable structures	13,892,966	2,328,187	(70,200)	16,150,953
First-time equipping of schools	12,086,751	1,017,956	(1,254,173)	11,850,534
Furniture	392,222	–	(51,766)	340,456
Equipment	3,495,806	505,777	(188,199)	3,813,384
Computer hardware	21,132,413	8,641,557	(509,231)	29,264,739
Computer software	2,604,963	391,499	(44,283)	2,952,179
Vehicles	1,021,696	292,137	–	1,313,833
Construction in progress	47,089,227	16,618,151	(45,057,412)	18,649,966
Total	\$ 1,114,662,793	\$ 65,590,839	\$ (3,174,012)	\$ 1,177,079,620

Accumulated amortization	Balance at August 31, 2015	Amortization	Disposals and adjustments	Balance at August 31, 2016
Land improvements	\$ 1,086,286	\$ 324,016	\$ –	\$ 1,410,302
Buildings - 40 years	279,538,774	27,720,511	(624,490)	306,634,795
Buildings - 20 years	–	18,624	–	18,624
Portable structures	5,800,180	771,704	(70,200)	6,501,684
First-time equipping of schools	6,317,552	1,088,246	(1,254,173)	6,151,625
Furniture	223,447	31,121	(51,766)	202,802
Equipment	1,536,928	351,737	(188,199)	1,700,466
Computer hardware	10,371,065	4,551,152	(509,231)	14,412,986
Computer software	1,440,746	502,572	(44,283)	1,899,035
Vehicles	470,374	179,576	–	649,950
Total	\$ 306,785,352	\$ 35,539,259	\$ (2,742,342)	\$ 339,582,269

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

12. Tangible capital assets (continued):

Cost	Balance at August 31, 2014	Additions	Disposals and adjustments	Balance at August 31, 2015
Land	\$ 95,597,013	\$ 326,085	\$ –	\$ 95,923,098
Land improvements	4,349,392	139,194	–	4,488,586
Buildings	884,252,865	18,504,722	9,777,478	912,535,065
Portable structures	11,640,263	2,252,703	–	13,892,966
First-time equipping of schools	12,824,020	1,735,690	(2,472,959)	12,086,751
Furniture	346,494	101,870	(56,142)	392,222
Equipment	3,329,421	413,068	(246,683)	3,495,806
Computer hardware	16,932,071	4,898,353	(698,011)	21,132,413
Computer software	3,123,202	162,881	(681,120)	2,604,963
Vehicles	1,326,374	–	(304,678)	1,021,696
Computers under capital lease	612,763	–	(612,763)	–
Construction in progress	23,695,492	34,847,542	(11,453,807)	47,089,227
Total	\$ 1,058,029,370	\$ 63,382,108	\$ (6,748,685)	\$ 1,114,662,793

Accumulated amortization	Balance at August 31, 2014	Amortization	Disposals and adjustments	Balance at August 31, 2015
Land improvements	\$ 770,433	\$ 315,853	\$ –	\$ 1,086,286
Buildings	254,367,678	26,394,350	(1,223,254)	279,538,774
Portable structures	5,153,588	646,592	–	5,800,180
First-time equipping of schools	7,731,329	1,059,182	(2,472,959)	6,317,552
Furniture	248,049	31,540	(56,142)	223,447
Equipment	1,452,139	331,472	(246,683)	1,536,928
Computer hardware	7,383,352	3,685,724	(698,011)	10,371,065
Computer software	1,621,590	500,276	(681,120)	1,440,746
Vehicles	608,758	166,294	(304,678)	470,374
Computers under capital lease	476,594	136,170	(612,764)	–
Total	\$ 279,813,510	\$ 33,267,453	\$ (6,295,611)	\$ 306,785,352

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

12. Tangible capital assets (continued):

	Net book value	
	2016	2015
Land	\$ 108,930,289	\$ 95,923,098
Land improvements	3,687,672	3,402,300
Buildings - 40 years	671,335,563	632,996,291
Buildings - 20 years	726,332	–
Portable structures	9,649,269	8,092,786
First-time equipping of schools	5,698,909	5,769,199
Furniture	137,654	168,775
Equipment	2,112,918	1,958,878
Computer hardware	14,851,753	10,761,348
Computer software	1,053,144	1,164,217
Vehicles	663,883	551,322
Construction in progress	18,649,965	47,089,227
Total	\$ 837,497,351	\$ 807,877,441

(a) Assets under construction:

Assets under construction having a value of \$18,649,965 (2015 - \$47,089,227) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$381,670 (2015 - \$453,074). The gain on disposal of tangible capital assets during the year, resulting from the disposal of land, was \$1,650,000 (2015 - nil).

(c) Asset inventories for resale (assets permanently removed from service):

The Board has not identified any land or building properties that qualify as assets permanently removed from service.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

13. Accumulated surplus:

Accumulated surplus consists of the following:

	2016	2015
Working funds	\$ 13,991,016	\$ 7,554,882
Amounts restricted for future use of Board:		
Retirement gratuity	35,176,898	31,176,898
WSIB	5,154,362	5,154,362
School renewal	7,951,087	7,951,087
School Block Budget	2,731,050	3,612,822
Insurance losses	751,477	751,475
Transportation	798,478	798,478
Utilities	721,278	721,278
Continuing education	250,000	250,000
Outdoor education	587,012	600,547
Debenture redemption	7,000,000	4,500,000
Capital purposes	9,934,787	9,934,787
Special education	580,415	580,415
Tangible capital assets unsupported amortization	11,133,629	10,462,186
	82,770,473	76,494,335
Amounts to be recovered:		
Employee future benefits	(40,087,091)	(46,576,476)
Interest accrual	(7,887,849)	(7,769,943)
Committed sinking fund interest earned	58,665,933	54,720,944
	10,690,993	374,525
Other:		
School-generated funds	8,810,689	8,261,983
Revenue recognized for land	102,637,600	96,010,284
	111,448,289	104,272,267
Total surplus	\$ 218,900,771	\$ 188,696,009

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

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

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

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

15. Mississaugas of Scugog Island First Nation:

The Mississaugas of Scugog Island First Nation paid tuition fees of approximately \$153,753 (2015 - \$130,828) to the Board in 2015 - 2016.

16. Contractual obligations:

The Board had in previous years entered into contracts for several major projects under the Board's School Improvement and Accommodation Plan. These projects relate to the construction and upgrading of several schools. As at August 31, 2016, the Board has contracts outstanding for capital work valued at approximately \$3,666,545 (2015 - \$20,052,000).

17. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2016 budgets approved by the Board on June 15, 2015. Where amounts were not budgeted for, the actual amounts for 2015 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

DURHAM DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2016

18. Durham Student Transportation Services:

On December 19, 2005, the Board entered into a consortium agreement with Durham Catholic District School Board in order to provide common administration of student transportation in the Durham Region. 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 Durham transportation consortium are shared. No party is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro rata share of revenues and expenses.

19. Trust funds:

The trust fund balances administered by the Board amount to \$1,821,426 (2015 - \$1,860,869) and have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.