Consolidated financial statements of Superior-Greenstone District School Board

August 31, 2018

SUPERIOR-GREENSTONE DISTRICT SCHOOL BOARD
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Management Report

Year ended August 31, 2018
Management's Responsibility for the Consolidated Financial Statements

The accompanying financial statements of the Superior Greenstone District School Board (the "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 School Board's consolidated financial statements.

Nicole Morden-Cormier
Director of Education
February 19, 2019

Cathy Tsubouchi
Superintendent of Business
February 19, 2019

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Independent Auditor's Report

To the Board of Trustees of the
Superior-Greenstone District School Board

We have audited the accompanying consolidated financial statements of Superior Greenstone District School Board, which comprise the consolidated statement of financial position as at August 31, 2018, 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 the auditor's judgment, including the assessment of risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of school fundraising revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, annual surplus and cash flows from operating activities for the years ended August 31, 2018 and 2017, financial assets as at August 31, 2018 and 2017, and accumulated surplus as at September 1, and August 31, for both the 2018 and 2017 fiscal years. Our opinion for the consolidated financial statements for the year ended August 31, 2017 was modified accordingly because of the possible effects of this scope limitation.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Superior Greenstone District School Board as at and for the year ended August 31, 2018 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 19, 2019

Superior-Greenstone District School Board
Consolidated statement of financial position
As at August 31, 2018

	Notes	2018 $	2017 $
Financial assets			
Cash		**2,180,452**	789,025
Accounts receivable	2	**7,022,967**	7,128,541
Accounts receivable - Province of Ontario	3	**14,923,307**	15,867,890
Other financial assets		**40,580**	—
Investments	4	**123,748**	122,401
		24,291,054	23,907,857
Liabilities			
Accounts payable and accrued liabilities		**2,951,474**	4,464,975
Deferred revenue	5	**2,418,245**	1,762,244
Deferred capital contributions	6	**58,516,046**	56,100,860
Obligation under capital leases	7	**139,826**	198,945
Net long-term debt	8	**11,533,188**	11,974,984
Retirement and other employee future benefits payable	9	**1,369,253**	1,699,522
		76,928,032	76,201,530
Net debt		**(52,636,978)**	(52,293,673)
Non-financial assets			
Tangible capital assets	15	**60,549,561**	58,135,115
Prepaid expenses and supplies		**36,221**	24,386
		60,585,782	58,159,501
Accumulated surplus	16	**7,948,804**	5,865,828

Commitments and contingent liabilities 12

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

Approved on behalf of the Board

______________________________ Director of education

______________________________ Chair of the Board

Superior-Greenstone District School Board
Consolidated statement of operations
Year ended August 31, 2018

	Notes	2018 Budget (Note 18) $	2018 Actual $	2017 Actual $
Revenue				
Provincial grants				
Student focused funding		**27,554,056**	**27,996,565**	27,024,350
Deferred capital contributions recognized	6	**3,914,557**	**4,593,031**	3,997,079
Other		**895,423**	**1,382,829**	1,119,382
Local taxation		**3,227,728**	**3,045,878**	3,061,822
School fundraising		**420,000**	**656,844**	523,921
Federal grants and fees		**4,440,781**	**4,256,324**	4,342,695
Investment income		**40,000**	**22,542**	23,750
Other revenues - School Boards		**219,707**	**359,718**	177,930
Other fees and revenue		**505,340**	**2,506,787**	1,232,656
		41,217,592	**44,820,518**	41,503,585
Expenses	10			
Instruction		**26,990,461**	**27,192,017**	27,043,663
Administration		**2,899,986**	**3,149,138**	2,510,512
Transportation		**1,826,244**	**1,774,310**	1,757,592
School operations/pupil accommodation		**8,884,740**	**9,792,137**	9,061,595
School funded activities		**405,000**	**664,187**	493,373
Other		**48,584**	**165,753**	—
		41,055,015	**42,737,542**	40,866,735
Annual surplus		**162,577**	**2,082,976**	636,850
Accumulated surplus, beginning of year		**2,581,799**	**5,865,828**	5,228,978
Accumulated surplus, end of year		**2,744,376**	**7,948,804**	5,865,828

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

Superior-Greenstone District School Board
Consolidated statement of change in net debt
Year ended August 31, 2018

	Notes	2018 $	2017 $
Annual surplus		**2,082,976**	636,850
Acquisition of tangible capital assets	15	**(7,008,217)**	(7,492,777)
Amortization of tangible capital assets	15	**4,593,771**	3,997,818
Acquisition of prepaid expenses and supplies		**(36,221)**	(24,386)
Use of prepaid expenses and supplies		**24,386**	38,202
		(2,426,281)	(3,481,143)
Change in net debt		**(343,305)**	(2,844,293)
Net debt, beginning of year		**(52,293,673)**	(49,449,380)
Net debt, end of year		**(52,636,978)**	(52,293,673)

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

	Notes	2018 $	2017 $
Operating activities			
Annual surplus		**2,082,976**	636,850
Items not involving cash			
Amortization	15	**4,593,771**	3,997,818
Deferred capital contributions recognized	6	**(4,593,031)**	(3,997,079)
Changes in non-cash assets and liabilities			
Accounts receivable		**105,574**	(2,383,743)
Accounts payable and accrued liabilities		**(1,513,501)**	910,978
Other financial assets		**(40,580)**	—
Deferred revenue - operating		**276,595**	149,384
Retirement and other employee future benefits payable		**(330,269)**	(411,156)
Prepaid expenses and supplies		**(11,835)**	13,816
		569,700	(1,083,132)
Capital activity			
Acquisition of tangible capital assets	15	**(7,008,217)**	(7,492,777)
Investing activity			
Increase in investments		**(1,347)**	(1,091)
Financing activities			
Capital grant contributions	6	**7,008,217**	7,492,777
Obligation under capital lease incurred		**—**	100,114
Change in accounts receivable - Province of Ontario		**944,583**	(1,882,370)
Change in deferred revenues - capital		**379,406**	52,483
Debt principal repaid		**(441,796)**	(423,736)
Repayment of obligations under capital lease		**(59,119)**	(75,410)
		7,831,291	5,263,858
Net change in cash		**1,391,427**	3,313,142
Cash, beginning of year		**789,025**	4,102,167
Cash, end of year		**2,180,452**	789,025

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

1. Significant accounting policies

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

Significant accounting policies adopted are as follows:

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 (the "Province"). A directive was provided by the Ontario Ministry of Education (the "Ministry") 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 Ontario Regulation 395/11. 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 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. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian Public Sector Accounting Standards which requires that:

- Government transfers, including amounts previously recognized as tax revenues, 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 Canadian Public Sector Accounting Standard PS3410;
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with Canadian Public Sector Accounting Standard PS3100; and
- Property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

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

Reporting entity

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

1. Significant accounting policies (continued)

Reporting entity (continued)

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

All material interdepartmental and inter-entity transactions and balances between these organizations are eliminated on consolidation.

Trust funds

Trust funds and their related operations administered by the Board amounting to $258,241 ($343,026 in 2017), 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.

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 will be recognized as revenue in the fiscal year the related qualifying expenses are incurred or services are performed.

Deferred capital contributions

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

(i) Government transfers received or receivable for capital purpose;

(ii) Other restricted contributions received or receivable for capital purpose; and

(iii) Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include health and dental, retirement gratuity, worker's compensation, non-vesting accumulating sick leave, and early retirement incentive plan. The Board has adopted the following policies with respect to accounting for these employee benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: ETFO, OSSTF, and OSSTF-EW. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding daily occasional teachers), educational workers, other school board staff and retired individuals up to a school board's participation date

1. Significant accounting policies (continued)

Retirement and other employee future benefits (continued)

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: ETFO, OSSTF, and OSSTF-EW. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding daily occasional teachers), educational workers, other school board staff and retired individuals up to a school board's participation date in the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting June 1, 2017, the Board is no longer responsible to provide certain benefits to ETFO, OSSTF, and OSSTF-EW. Upon transition of the employee groups' health, dental and life benefit plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups: CEWAO(APPSP) and non-unionized employees including principals, vice principals, and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans.

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, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any future 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 those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for life insurance, dental and health care benefits for certain employees 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.

Actuarial gains and losses related to obligations for long-term disability are amortized over the expected average service life of the employee group.

(ii) The Board's contributions to multi-employer defined benefits pension plans, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are recorded in the period in which they become payable.

(iii) The costs of insured benefits for active employees reflected in these consolidated financial statements are the Board's portion of insurance premiums owed for coverage of employees during the period.

Tangible capital assets

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

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

1. Significant accounting policies (continued)

Tangible capital assets (continued)

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	15
Buildings and building improvements	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Leased equipment	Over lease term
Computer hardware	5
Computer software	5
Vehicles	5-15

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. One-half of the annual amortization is charged in the year of acquisition and the year of disposal.

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. 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.

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.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions and recognized into revenue in the consolidated statement of operations at the same rate and over the same period as the tangible capital assets are amortized.

Investment income

Investment income earned is reported as revenue in the period earned. Investment income earned on externally restricted funds such as pupil accommodation and special education forms part of the respective deferred revenue balances.

Long-term debt

Long-term debt includes debentures and Ontario Financing Authority ("OFA") loans which were arranged for financing the Board's capital projects or high priority renewal projects.

1. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with the basis of accounting described in Note 1 (a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Estimates are reviewed periodically by management, and, as adjustments become necessary they are reported in the period in which they became known. Accounts subject to estimates include allowance for doubtful accounts receivable, 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.

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. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Grants.

2. Accounts receivable

Accounts receivable include tuition fees receivable from the First Nations as follows:

	Balance at August 31, 2017	**Invoices**	**Payments**	**Balance at August 31, 2018**
	$	**$**	**$**	**$**
Aroland First Nation	1,492,323	**660,401**	**(1,305,948)**	**846,776**
Biinjitwaabek First Nation	89,581	**270,949**	**(265,695)**	**94,835**
Eabametoong Fist Nation	118		**(236)**	**(118)**
Ginoogaming First Nation	1,254,101	**666,629**	**(4,591)**	**1,916,139**
Marten Falls First Nation	316,184	**223,533**	**(253)**	**539,464**
Pays Plat First Nations	403,879	**163,869**	**(94,912)**	**472,836**
Pic Mobert First Nation	723,189	**298,044**	**(684,512)**	**336,721**
Pic River First Nations	(93)	**487,979**	**(497,258)**	**(9,372)**
Red Rock First Nation	531,526	**1,006,615**	**(716,404)**	**821,737**
	4,810,808	**3,778,019**	**(3,569,809)**	**5,019,018**

3. Accounts receivable - Province of Ontario

The account receivable from the Province is composed of amounts related to capital grants in the amount of $14,923,307 ($15,867,890 in 2017).

The Province replaced variable capital funding with a one-time debt support grant in 2009-10. The Board recorded 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.

4. Investments

Investments are comprised of the following:

	2018		2017	
	Cost	**Market value**	Cost	Market value
	$	**$**	$	$
Guaranteed investment certificates	**123,748**	**123,748**	122,401	122,401

5. Deferred revenue

Revenues received and set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2018 is comprised of:

	Balance at August 31, 2017	**Increase**	**Recognized**	**Balance at August 31, 2018**
	$	**$**	**$**	**$**
Pupil accommodation	193,400	**2,951,907**	**2,572,501**	**572,806**
Proceeds of disposition	562,014	**8,875**	**—**	**570,889**
Special education	133,683	**56,277**	**62,972**	**126,988**
Other	873,147	**5,658,465**	**5,384,050**	**1,147,562**
	1,762,244	**8,675,524**	**8,019,523**	**2,418,245**

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 life the asset acquired.

	2018	2017
	$	$
Balance, beginning of the year	**56,100,860**	52,605,162
Capital grants recorded as deferred capital contributions	**7,008,217**	7,492,777
Revenue recognized during the year	**(4,593,031)**	(3,997,079)
Balance, end of year	**58,516,046**	56,100,860

7. Obligations under capital leases

The Board has obligations under various capital leases with expiries ranging from 2018 to 2022 and interest rates ranging from 1.51% to 2.71%. Principal and interest payments relating to capital lease obligations of $139,826 ($198,945 in 2017) outstanding as at August 31, 2018 are due as follows:

	Principal payment	Interest	Total
	$	$	$
2018/2019	60,327	1,603	61,930
2019/2020	29,954	855	30,809
2020/2021	21,112	396	21,508
2021/2022	28,433	52	28,485
	139,826	2,906	142,732

8. Net long-term debt

Net long-term debt reported on the consolidated statement of financial position is comprised of the following:

	2018	2017
	$	$
4.56% Ontario Financing Authority, GPL 1	**1,010,740**	1,063,914
4.85% Ontario Financing Authority, GPL 2	**709,806**	741,850
5.01% Ontario Financing Authority, GPL 3	**884,260**	920,024
5.23% Ontario Financing Authority, GPL 4a	**1,843,055**	1,909,572
3.97% Ontario Financing Authority, GPL 4b	**1,283,149**	1,329,403
3.564% Ontario Financing Authority, GPL 4c	**4,972,106**	5,154,991
4.003% Ontario Financing Authority, GPL 4d	**830,072**	855,230
	11,533,188	11,974,984

On November 15, 2006, the Board entered into a loan agreement with the OFA to refinance $1,498,725 of the GPL Phase 1 outstanding at that time. The loan is repayable by semi-annual installments of principal and interest of $50,544 based on a 25 year amortization schedule and bears interest of 4.56%. The annual principal and interest costs will be funded by the Ministry.

On March 3, 2008, the Board entered into a loan agreement with the OFA to refinance $970,022 of the GPL Phase 2 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $34,004 based on a 25 year amortization schedule and bears interest of 4.85%. The annual principal, interest and administration costs will be funded by the Ministry.

On March 13, 2009, the Board entered into a loan agreement with the OFA to refinance $1,150,000 of the GPL Phase 3 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $40,944 based on a 25 year amortization schedule and bears interest of 5.01%. The annual principal, interest and administration costs will be funded by the Ministry.

8. Net long-term debt (continued)

On April 14, 2010, the Board entered into a loan agreement with the OFA to refinance $2,290,309 of the GPL Phase 3 and 4 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $82,784 based on a 25 year amortization schedule and bears interest of 5.23%. The annual principal, interest and administration costs will be funded by the Ministry.

On November 25, 2011, the Board entered into a loan agreement with the OFA to refinance $1,535,262 of the GPL Phase 4 and outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $49,288 based on a 25 year amortization schedule and bears interest of 3.97%. The annual principal, interest and administration costs will be funded by the Ministry.

On March 9, 2012, the Board entered into a loan agreement with the OFA to refinance $5,978,491 of the GPL Phase 4 and PTR Stage 1 and 2 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $182,497 based on a 25 year amortization schedule and bears interest of 3.564%. The annual principal, interest and administration costs will be funded by the Ministry.

On March 12, 2014, the Board entered into a loan agreement with the OFA to refinance $924,990 of the GPL Phase 1, 2, 3 and 4 outstanding at that time. The loan is repayable by semi-annual installments of principal, interest and administration fee of $29,572 based on a 25 year amortization schedule and bears interest of 4.003%. The annual principal, interest and administration costs will be funded by the Ministry.

Principal and interest payments relating to the net long-term debt of $11,533,188 ($11,974,984 in 2017) outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
	$	$	$
2018/19	460,645	478,620	939,265
2019/20	480,316	458,948	939,264
2020/21	500,852	438,413	939,265
2021/22	522,287	416,977	939,264
2022/23	544,664	394,601	939,265
Thereafter	9,024,424	2,665,841	11,690,265
	11,533,188	4,853,400	16,386,588

9. Retirement and other employee future benefits

Retirement and other employee future benefit liabilities

			2018	2017
	Retirement benefits	**Other employee future benefits**	**Total employee future benefits**	Total employee future benefits
	$	**$**	**$**	$
Accrued employee future benefit obligation	**1,125,159**	**180,822**	**1,305,981**	1,605,492
Unamortized actuarial loss	**63,272**	**—**	**63,272**	94,030
Accrued employee future benefit liability, end of year	**1,188,431**	**180,822**	**1,369,253**	1,699,522

The employee future benefits expense below excludes pension contributions to OMERS, a multi-employer pension plan, described below.

Actual benefit payments made during the year totaled $387,002 ($408,498 in 2017).

Retirement and other employee future benefit expenses

			2018	2017
	Retirement benefits	**Other employee future benefits**	**Total employee future benefits**	Total employee future benefits
	$	**$**	**$**	$
Current year benefit cost (recovery)	**23,019**	**(26,092)**	**(3,073)**	(6,267)
Interest on accrued benefit obligation	**34,513**	**5,887**	**40,400**	41,761
Amortization of actuarial (gain) loss	**21,124**	**(1,718)**	**19,406**	(38,152)
Employee future benefits expenses (recovery)	**78,656**	**(21,923)**	**56,733**	(2,658)

Retirement benefits

i) Ontario Teacher's Pension Plan

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

9. Retirement and other employee future benefits (continued)

Retirement benefits (continued)

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"). The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board's contributions equal the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed $644,575 ($647,777 in 2017) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

iii) Retirement gratuities

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

iv) Retirement life insurance and health care benefits

Retirement life insurance and health care benefits have been grandfathered to retirees who retired prior to August 31, 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 will be included in a separate experience pool that is self-funded.

Employees are able to continue coverage for life insurance, dental and health care benefits after retirement until the members reach 65 years of age; however, the retirees pay a premium associated with this coverage.

v) Sick leave accumulations

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 benefits received under the short term leave and disability plan in that year. The Board's liability related to compensated absences from sick leave accumulations has been reduced to a maximum of 11 unused sick leave days per eligible employee.

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, 2018 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2018 .

Other employee future benefits

i) Workplace Safety and Insurance Board Obligations ("WSIB")

The Board is a Schedule 1 employer under the Workplace Safety and Insurance Act (the "Act") and, as such, the Board insures all claims by its injured workers under the Act. The Board's insurance premiums for the year ended August 31, 2018 were $3,781 ($152 in 2017) and are included in the Board's current year benefit costs.

9. Retirement and other employee future benefits (continued)

Other employee future benefits (continued)

ii) Long-term disability benefits

The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date to employees up to the transition to the ELHT or to employees who are not yet members of an ELHT. 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 accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on actuarial valuations for accounting purposes as at August 31, 2016, extrapolated to August 31, 2018. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

Wages and salary escalation	0%
Inflation	1.50%
Medical cost escalation	7.75% grading down by 1/4% to an ultimate rate of 4%
Discount rate on accrued benefit Obligations	2.90%
Dental cost escalation	3.75% grading down by 1/4% to an ultimate rate of 3%

10. Expenses by object

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

	2018		2017
	Budget	**Actual**	Actual
	$	**$**	$
Salary and wages	**24,932,911**	**25,547,319**	24,782,419
Employee benefits	**4,009,737**	**4,177,123**	4,303,485
Staff development	**946,180**	**655,510**	600,548
Supplies and services	**3,554,260**	**4,185,677**	4,044,528
Interest	**498,681**	**494,645**	513,403
Rental expenses	**65,420**	**2,850**	4,862
Fees and contract services	**2,935,871**	**2,701,798**	2,473,441
Other	**196,660**	**378,849**	146,231
Amortization of tangible capital asset	**3,915,295**	**4,593,771**	3,997,818
	41,055,015	**42,737,542**	40,866,735

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

The Board participates, for its liability, property and automobile insurance, in the OSBIE, a reciprocal insurance company licensed under the Insurance Act that is funded by the member boards across Ontario. Liability insurance is available to a maximum of $20 million 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 on December 31, 2021.

12. Commitments and contingent liabilities

The Board is committed to various operating leases for premises and equipment expiring in fiscal 2021/2022. The aggregate minimum lease payments are as follows:

	Minimum lease payments $
2018/2019	39,924
2019/2020	51,680
20120/2021	50,744
2021/2022	12,926

The Board has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at August 31, 2018, therefore, no provision has been made for these claims in the consolidated financial statements. Any losses arising from these actions will be recorded in the year that the related litigation is settled or it is determined that the claim is likely and a reasonable estimate can be made.

13. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received $1,718,287 from the "55 School Board Trust" for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The "55 School Board Trust" was created to refinance the outstanding not permanently financed ("NPF") debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the "55 School Board Trust" repaid the board's debt in consideration for the assignment by the board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

The flow-through of $128,014 ($128,014 in 2017) in respect of the above agreement for the year ended August 31, 2018 is not recorded in these consolidated financial statements.

14. Service Contracts

i) CFSA Approval with the Ministry of Advanced Education and Skills Development

The Board has a Service Contract/CFSA Approval with the Ministry of Advanced Education and Skills Development. One requirement of the Service Contract/CFSA Approval is the production by Management of a report which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the Service Contract/CFSA Approval.

An external audit of this report shows the Ontario Youth Apprenticeship Program ("OYAP") services to be in a break-even position as at August 31, 2018 and therefore no amounts are repayable to the Ministry of Advanced Education and Skills Development.

ii) CFSA Approval with the Ministry of Community and Social Services

The Board has a Service Contract/CFSA Approval with the Ministry of Community and Social Services. One requirement of the Service Contract/CFSA Approval is the production by Management of a report, TPAR, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the Service Contract/CFSA Approval. This report shows the Teacher Diagnostician services ("ISNC") services to be in a break-even position as at August 31, 2018 and therefore no amounts are repayable to the Ministry of Community and Social Services.

15. Tangible capital assets

	Cost Balance at August 31, 2017	Additions	Disposals, write-offs	**Cost Balance at August 31, 2018**
	$	**$**	**$**	**$**
Land	2,019,997	**—**	**—**	**2,019,997**
Land improvements	2,513,724	**109,501**	**—**	**2,623,225**
Buildings	85,456,107	**6,176,564**	**—**	**91,632,671**
Equipment (5 years)	31,594	**—**	**31,594**	**—**
Equipment (10 years)	2,340,865	**27,257**	**23,278**	**2,344,844**
Equipment (15 years)	155,179	**119,240**	**—**	**274,419**
First time equipping	1,007,370	**441,007**	**54,461**	**1,393,916**
Furniture	10,874	**—**	**—**	**10,874**
Computer hardware	559,618	**134,648**	**62,369**	**631,897**
Vehicles-<1 ton	79,241	**—**	**—**	**79,241**
Capital leases - other	354,064	**—**	**—**	**354,064**
	94,528,633	**7,008,217**	**171,702**	**101,365,148**

15. Tangible capital assets (continued)

	Balance at August 31, 2017	Accumulated amortization			August 31, 2018	August 31, 2017
		Amortization	**Disposals, write-offs**	**Balance at August 31, 2018**	**Net book value**	Net book value
	$	**$**	**$**	**$**	**$**	$
Land	—	**—**	**—**	**—**	**2,019,997**	2,019,997
Land improvements	1,472,228	**301,499**	**—**	**1,773,727**	**849,498**	1,041,496
Buildings	33,110,391	**3,709,743**	**—**	**36,820,134**	**54,812,537**	52,345,716
Equipment (5 years)	28,435	**3,159**	**31,594**	**—**	**—**	3,159
Equipment (10 years)	967,325	**234,286**	**23,278**	**1,178,333**	**1,166,511**	1,373,540
Equipment (15 years)	69,142	**16,844**	**—**	**85,986**	**188,433**	86,037
First time equipping	311,529	**120,064**	**54,461**	**377,132**	**1,016,784**	695,841
Furniture	7,068	**1,087**	**—**	**8,155**	**2,719**	3,806
Computer hardware	261,322	**119,152**	**62,369**	**318,105**	**313,792**	298,296
Vehicles-<1 ton	33,677	**15,848**	**—**	**49,525**	**29,716**	45,564
Capital leases - other	132,401	**72,089**	**—**	**204,490**	**149,574**	221,663
	36,393,518	**4,593,771**	**171,702**	**40,815,587**	**60,549,561**	58,135,115

16. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
	$	$
Invested in tangible capital assets	**2,033,515**	2,034,255
School generated funds	**319,867**	327,210
Employee future benefits	**(1,369,253)**	(1,699,522)
Interest accrual	**(140,780)**	(146,211)
Working funds	**5,457,539**	5,105,271
Reserves and reserve funds	**1,647,916**	244,825
	7,948,804	5,865,828

Reserves and reserve funds set aside for specific purposes by the Board of Trustees consist of the following:

	2018	2017
	$	$
Reserve and reserve funds		
Pupil accommodation - school renewal	**160,058**	159,843
Capital - equipment	**49,506**	48,752
Insurance	**15,132**	14,827
Pre-2010 benefit adjustment	**1,417,018**	—
Winning teams	**6,202**	21,403
Total reserve and reserve funds	**1,647,916**	244,825

17. Transportation consortium

On June 16, 2008, the East Thunder Bay Transportation Consortium was created as a Membership Agreement between the Board and Conseil scolaire de district catholique des Aurores boreales, Counseil scolaire de district du Grand Nord de l'Ontarios and Superior North Catholic District School Board in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the school boards. Under the agreement, decisions related to the financial and operating activities of East of Thunder Bay Transportation Consortium are shared. No partner is in a position to exercise unilateral control.

The Board's consolidated financial statements illustrate the Board's pro-rata share of revenues and expenses for the consortium.

18. Budget figures

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