Dufferin-Peel Catholic District School Board

Consolidated financial statements of Dufferin-Peel Catholic District School Board

August 31, 2018

Extraordinary lives start with a great Catholic education

Management Report 1

Independent Auditor's Report 2–3

Consolidated statement of financial position 4

Consolidated statement of operations 5

Consolidated statement of change in net debt 6

Consolidated statement of cash flows 7

Notes to the consolidated financial statements 8–23

Dufferin-Peel Catholic District School Board

Management Report

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

The accompanying consolidated financial statements of the Dufferin-Peel Catholic District School Board (the Board) are the responsibility of the Board's management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act as described in Note 1(a) to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, 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 management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the board's approval of the consolidated financial statements.

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

M. Mazzorato, Ed. D.
Director of Education

J. Cherepacha
Executive Superintendent of Finance,
Chief Financial Officer and Treasurer

B. Hester
Superintendent of Financial Services

November 27, 2018

Deloitte.

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Independent Auditor's Report

To the Board of Trustees of the
Dufferin-Peel Catholic District School Board

We have audited the accompanying consolidated financial statements of Dufferin-Peel Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2018, the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of Dufferin-Peel Catholic 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
November 27, 2018

Dufferin-Peel Catholic District School Board

Consolidated statement of financial position

As at August 31, 2018

(In thousands of dollars)

	Notes	2018	2017
		$	$
Financial assets			
Cash and cash equivalents		**48,938**	54,363
Accounts receivable – other		**45,758**	43,210
Accounts receivable – Province of Ontario	2	**336,009**	420,465
		430,705	518,038
Financial liabilities			
Accounts payable and accrued liabilities		**43,744**	46,768
Accounts payable – Province of Ontario		**883**	880
Deferred revenue	3	**25,003**	19,483
Obligation under capital leases	5	**1,441**	2,735
Net long-term debt	7	**315,554**	403,664
Retirement and other employee future benefits payable	9	**7,801**	11,877
Deferred capital contributions	4	**903,434**	913,317
		1,297,860	1,398,724
Net debt		**(867,155)**	(880,686)
Non-financial assets			
Prepaid expenses and supplies		**4,992**	4,589
Tangible capital assets	14	**1,195,543**	1,201,345
Total non-financial assets		**1,200,535**	1,205,934
Accumulated surplus	15	**333,380**	325,248

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

M. Mazzorato ____________ Director of Education

____________ Chair of the Board

Dufferin-Peel Catholic District School Board

Consolidated statement of operations

Year ended August 31, 2018

(In thousands of dollars)

	Notes	Budget	2018 Actual	2017 Actual
		$	$	$
Revenue				
Provincial grants				
Grants for Student Needs		**904,917**	**901,361**	881,843
Other		**4,649**	**13,678**	6,493
Deferred capital contributions recognized		**48,170**	**52,287**	49,970
School generated funds		**22,823**	**22,714**	22,220
Federal grants and fees		**635**	**670**	635
Investment income		**300**	**1,096**	1,619
Other fees and revenues		**15,582**	**17,664**	18,401
		997,076	**1,009,470**	981,181
Expenses	10			
Instruction		**766,333**	**764,643**	739,750
Administration		**25,247**	**26,651**	25,058
Transportation		**19,249**	**19,517**	18,954
School operations/pupil accommodation		**150,746**	**155,999**	158,916
School generated funds		**22,823**	**23,260**	22,656
Other		**5,448**	**11,268**	5,601
		989,846	**1,001,338**	970,935
Annual surplus		**7,230**	**8,132**	10,246
Accumulated surplus, beginning of year		**319,140**	**325,248**	315,002
Accumulated surplus, end of year	15	**326,370**	**333,380**	325,248

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

Dufferin-Peel Catholic District School Board

Consolidated statement of change in net debt

Year ended August 31, 2018

(In thousands of dollars)

	Budget	2018 Actual	2017 Actual
	$	$	$
Annual surplus	**7,230**	**8,132**	10,246
Tangible capital asset activities			
Acquisition of tangible capital assets	**(60,961)**	**(47,444)**	(49,057)
Amortization of tangible capital assets	**49,000**	**53,246**	50,860
Total tangible asset activities	**(11,961)**	**5,802**	1,803
Other non-financial asset activities			
Acquisition of prepaid expenses and supplies	**-**	**(4,992)**	(4,589)
Use of prepaid expenses and supplies	**-**	**4,589**	4,497
Total other non-financial asset activities	**—**	**(403)**	(92)
(Increase) decrease in net debt	**(4,731)**	**13,531**	11,957
Net debt, beginning of year	**(880,686)**	**(880,686)**	(892,643)
Net debt, end of year	**(885,417)**	**(867,155)**	(880,686)

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

Dufferin-Peel Catholic District School Board

Consolidated statement of cash flows

Year ended August 31, 2018

(In thousands of dollars)

	Notes	2018	2017
		$	$
Operating transactions			
Annual surplus		**8,132**	10,246
Items not involving cash			
Deferred capital contributions recognized as revenue		**(52,287)**	(49,970)
Amortization		**53,246**	50,860
Change in non-cash assets and liabilities			
Accounts receivable – other		**(2,548)**	(5,665)
Accounts payable and accrued liabilities		**(3,024)**	6,412
Accounts payable – Province of Ontario		**3**	(5,799)
Deferred revenue – operating		**1,262**	(134)
Retirement and other employee future benefits payable		**(4,076)**	(6,103)
Prepaid expenses and supplies		**(403)**	(92)
Net change in cash from operating activities		**305**	(245)
Capital transactions			
Acquisition of tangible capital assets		**(47,444)**	(48,545)
Financing transactions			
Debt principal repaid and sinking fund contributions	8	**(88,110)**	(24,139)
Repayment of obligations under capital lease		**(1,294)**	(1,604)
Decrease in deferred revenue – capital		**4,258**	(5,214)
Deferred capital contributions received and change in accounts receivable – Province of Ontario		**126,860**	48,291
Net change in cash from financing activities		**41,714**	17,334
Change in cash and cash equivalents		**(5,425)**	(31,456)
Cash and cash equivalents, beginning of year		**54,363**	85,819
Cash and cash equivalents, end of year		**48,938**	54,363
Cash and cash equivalents is comprised of the following:			
Cash		**48,838**	54,064
Investments		**100**	299
		48,938	54,363
Non-cash transaction			
Tangible capital assets acquired through obligation under capital lease		**—**	512

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

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. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the 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, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- Property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

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

(b) *Reporting entity*

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

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

1. Significant accounting policies (continued)

(b) Reporting entity (continued)

The reporting entity is comprised of:

- The Dufferin-Peel Catholic District School Board
- School Generated Funds

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

(c) Trust funds

Trust funds and their related operations administered by the Board amounting to $2,076 ($2,076 in 2017) are not included in the consolidated financial statements. Specifically, the Trust Funds include both student scholarships and awards and deferred salary leaves.

(d) Cash and cash equivalents

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

(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.

(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 qualifying expenses are incurred or services are performed.

(g) Deferred capital contributions

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

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

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 and dental benefits, retirement gratuity, worker's compensation, accumulated sick leave and long-term disability 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 Trust (ELHT) were established in 2016-17: OECTA, CUPE-EWBT, EWAO, OCEW and ONE-T which is a trust for non-unionized employees including principals and vice principals. The ELHTs 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 after a school board's participation date into 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. The Board is no longer responsible to provide certain benefits to OECTA effective June 1, 2017, CUPE and EWAO effective March 1, 2018, and OCEW and non-unionized employees including principals and vice principals effective June 1, 2018. Upon transition of the employee groups' health, dental and life benefits 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), additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

Depending on prior arrangements and employee groups, the Board provides health, dental and life insurance benefits for retired individuals and continues to have a liability for payment of benefits for some retirees 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, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. 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.

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

(iii) 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.

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

1. Significant accounting policies (continued)

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

(v) 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.

(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, 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.

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

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use. 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 and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

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

1. Significant accounting policies (continued)

(j) Government transfers

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

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

(k) Investment income

Investment income is reported as revenue in the period earned.

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

(l) Long-term debt

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

(m) 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. Given differences between the funding model and the basis of accounting used by the school board in the preparation of the financial statements, the budget figures have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements.

(n) 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 financial statements, and the reported amounts of revenues and expenditures 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 become known. Accounts subject to significant estimates include allowance for doubtful accounts receivable, retirement and other employee future benefits payable, liability for contaminated sites and tangible capital assets.

1. Significant accounting policies (continued)

(o) Property tax revenue

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

(p) Contaminated sites

The Board is required to record a liability in the financial statements if the Board has a contaminated site that meets the requirements as set out in the Canadian public sector accounting standard PS 3260 Liability for Contaminated Sites (the "standard"). Based on the Board's review of its sites which are no longer in productive use, no liability has been identified in respect of this standard.

(q) Adoption of new accounting standards

During the year the Board was required to adopt the following new Canadian Public Sector Accounting Standards:

- PS 2200 Related party disclosures
- PS 3210 Assets
- PS 3320 Contingent Assets
- PS 3380 Contractual Rights
- PS 3420 Inter-entity transactions

The adoption of these standards had no impact on the financial statements.

2. Accounts receivable - Province of Ontario

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

The Board has an account receivable from the Province of Ontario of $336,009 as at August 31, 2018 ($420,465 in 2017) with respect to capital grants.

(In thousands of dollars)

3. Deferred revenue

(a) Deferred revenue externally restricted for specific purposes by legislation, regulation or agreement as at August 31 is comprised of the following:

	2018	2017
	$	$
Proceeds from disposition	6,301	6,271
Deferred revenue – other		
Restricted Provincial capital grants received	9,387	8,527
Restricted Provincial operating grants received	2,201	867
Other – tuition fees, permits	7,114	3,818
	25,003	19,483

(b) The continuity of deferred revenue of the Board is summarized below:

	2018	2017
	$	$
Balance, beginning of year	19,483	24,831
Increase in deferred revenue	186,339	178,524
Interest earned	110	62
Transferred to deferred capital contributions	(12,108)	(14,367)
Deferred revenue recognized in the year	(168,821)	(169,567)
Balance, end of year	25,003	19,483

4. Deferred capital contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2018	2017
	$	$
Balance, beginning of year	913,317	925,408
Deferred capital contributions received	42,404	37,879
Revenue recognized in the period	(52,287)	(49,970)
Balance, end of year	903,434	913,317

(In thousands of dollars)

5. Obligation under capital leases

The Board has obligations under various capital leases with expiries ranging from 2019 to 2021 and interest rates ranging from 2.10% to 4.61%. Principal and interest payments relating to capital lease obligations of $1,441 (2017 - $2,735) outstanding as at August 31 are due as follows:

	Principal payment	Interest	Total
	$	$	$
2018/2019	1,013	38	1,051
2019/2020	405	12	417
2020/2021	23	1	24
	1,441	51	1,492

6. Temporary borrowing

In accordance with Section 243(1) of the Education Act, the Board has a resolution to authorize the borrowing, by way of promissory note, bankers' acceptance or operating overdraft, up to a maximum of $150,000. The outstanding amount at any given time would substantially represent the unreceived or uncollected balance of the estimated revenues.

The Board has available a credit facility of $60,000 and as of year-end had no borrowings against this facility (2017 - $Nil). The interest on temporary borrowings, when drawn, would be at the bank's prime lending rate minus 0.75%, or bankers' acceptance facility at the bankers' acceptance rate plus 0.75%. Any temporary borrowings would be unsecured and due on demand.

7. Net long-term debt

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

Debenture	Interest rate	Maturity	**2018**	2017
	%		**$**	$
OSBFC By-Law #99	7.20	June 9, 2025	**28,557**	31,601
OSBFC By-Law #103	6.55	October 19, 2026	**45,346**	49,226
OSBFC By-Law #111	5.48	November 26, 2029	**81,113**	86,064
OSBFC By-Law #113	4.79	August 8, 2030	**16,405**	17,397
OFA By-Law #124	3.94	September 19, 2025	**26,181**	29,198
OSBFC Sinking Fund By-Law #105	5.70	October 11, 2017	**—**	103,134
OFA By-Law #116	4.56	November 15, 2031	**8,935**	9,405
OSBFC By-Law #118	5.38	June 25, 2032	**84,283**	88,236
OFA By-Law #120	4.90	March 3, 2033	**3,654**	3,819
OFA By-Law #123	5.23	April 13, 2035	**12,647**	13,103
OFA By-Law #126	2.43	November 15, 2021	**8,433**	10,714
Sinking fund assets			**—**	(38,233)
Balance as at August 31			**315,554**	403,664

(In thousands of dollars)

7. Net long-term debt (continued)

(b) Payments relating to net long-term debt of $315,554 outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
	$	$	$
2018/2019	24,459	16,954	41,413
2019/2020	25,780	15,632	41,412
2020/2021	27,178	14,235	41,413
2021/2022	27,392	12,757	40,149
2022/2023	28,892	11,833	40,725
Thereafter	181,853	38,655	220,508
Net long-term debt	315,554	110,066	425,620

The Board's 2002-A1 OSBFC sinking fund debenture matured on October 11, 2017. The Ministry supported the principal balance of this debenture as capital debt by transferring $64,829 which when combined with the sinking fund assets of $38,305 enabled the Board to repay the sinking fund debenture of $103,134.

8. Debt charges

Debt charges for the year include principal, sinking fund contributions and interest payments as follows:

	2018	2017
	$	$
Principal payment on net sinking fund debenture	**64,901**	—
Principal payments on long-term debt, including contributions to sinking fund	**23,209**	24,139
	88,110	24,139
Interest payments on long-term debt	**21,143**	25,264
Total	**109,253**	49,403

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows of $88,110 (2017 - $24,139) are principal payments on net sinking fund debenture of $64,901 (2017 - $NIL), principal payments of other long-term debt, including contributions to sinking funds of $23,209 (2017 - $23,438), and sinking fund interest revenue of $NIL (2017 - $701).

(In thousands of dollars)

9. Retirement and other employee future benefits

Retirement and other employee future benefit liabilities

			2018	2017
	Retirement gratuity	**Other employee future benefits**	**Total**	Total
	$	**$**	**$**	$
Accrued employee future benefit obligations at August 31	**335**	**7,507**	**7,842**	11,875
Unamortized actuarial (losses) gains at August 31	**7**	**(48)**	**(41)**	2
Employee future benefits liability at August 31	**342**	**7,459**	**7,801**	11,877

Retirement and other employee future benefit (recovery) expense

			2018	2017
	Retirement gratuity	**Other employee future benefits**	**Total**	Total
	$	**$**	**$**	$
Current year benefit (recovery)	**—**	**(1,378)**	**(1,378)**	(2,254)
Amortization of actuarial losses (gains)	**(2)**	**71**	**69**	55
Interest on accrued benefit obligation	**9**	**228**	**237**	289
Employee future benefits expense (recovery) *	**7**	**(1,079)**	**(1,072)**	(1,910)

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

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2018. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018	2017
	%	%
Wage and salary escalation	—	—
Insurance and health care cost escalation	**7.5 - 4.5**	7.75 - 4.0
Dental care cost escalation	**4.5**	3.75 - 3.0
Discount on accrued benefit obligation	**2.90**	2.55

9. Retirement and other employee future benefits (continued)

Retirement benefits

(i) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees. The academic staff is the largest group. Employee eligibility is determined based on the date the individual commenced employment with the Board. Employees commencing employment after December 31, 1979 are not eligible for the retirement gratuity. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

The benefit costs expensed in these consolidated financial statements are $7 (recovered in 2017 - $4). Based on the actuarial estimate, the liability for retirement gratuities of $342 (2017 - $335) is included in retirement and other employee future benefits in the consolidated statement of financial position.

(ii) Retirement Life Insurance and Health Care Benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until age 65. The premiums are based on the Board experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions, unless specified by contractual obligations.

The coverage is provided for various terms up to a maximum age of 65. The benefit costs expensed in the consolidated financial statements are $92 (expensed in 2017 - $504).

Based on the actuarial estimate, the total liability of all post-retirement benefits accrued to-date is $828 (2017 - $887) and is included in retirement and other employee future benefits in the consolidated statement of financial position.

Other Employee Future Benefits

(i) 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 Employee Life and Health Trust (ELHT).

The benefit costs recovered in the consolidated financial statements are $3,816 (2017 - $7,051).

Based on the actuarial estimate, the total liability of all health and dental benefits for long-term disability for disabled employees accrued to-date is $Nil (2017 - $4,400), and is included in retirement and other employee future benefits in the consolidated statement of financial position.

9. Retirement and other employee future benefits (continued)

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

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The liability for payments under WSIB are recognized at the time the event obligating the Board to pay occurs. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision. At August 31, 2018 the Board has a liability of $6,184 (2017 - $5,827) in respect of WSIB obligations. The benefit costs expensed during the year in the consolidated financial statements are $2,127 (2017 - $4,138).

As at August 31, 2018, the Board has a Workers' Safety Insurance Board reserve of $5,137 (2017 - $5,137).

(iii) Sick Leave Top-Up Benefits

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illness paid through the short-term leave and disability plan in that year. The benefit costs expensed in the statement of operations are $518 (2017 - $502) and included as a liability in retirement and other employee future benefits in the consolidated statement of financial position are $447 (2017 - $480).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2018. This actuarial valuation is based on assumptions about future events determined as at August 31, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

Additional 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 of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed $11,937 (2017 - $11,572) 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.

(In thousands of dollars)

10. Expenses by object

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

	2018 Budget	2018 Actual	2017 Actual
	$	$	$
Operating expenses			
Salary and wages	**692,303**	**692,785**	675,599
Employee benefits	**116,823**	**113,471**	103,019
Staff development	**1,889**	**1,656**	1,741
Supplies and services	**49,552**	**48,822**	51,450
Interest charges on capital	**18,457**	**18,403**	25,051
Rental expenses	**3,011**	**3,265**	2,521
Fees and contractual services	**32,082**	**36,454**	34,064
School generated funds	**22,823**	**23,260**	22,656
Other	**3,906**	**9,976**	3,974
Amortization of tangible capital assets	**49,000**	**53,246**	50,860
	989,846	**1,001,338**	970,935

11. Ontario School Board Insurance Exchange (OSBIE)

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

The ultimate premiums over a five year period are based on the reciprocal’s 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 2021.

(In thousands of dollars)

12. Commitments and contingent liabilities

(a) The Board enters into contracts for the capital construction and renovation of various new and existing schools. The following summarizes the Board's commitment under these contracts as at August 31, 2018:

	Contract value	Incurred to date	Amount remaining
	$	$	$
Construction of schools	**68,349**	**61,398**	**6,951**

(b) The Board is committed to various operating leases for premises and equipment expiring in fiscal 2024/2025. The aggregate minimum lease payments are as follows:

	Minimum lease payments
	$
2018/2019	2,247
2019/2020	2,196
2020/2021	811
2021/2022	685
2022/2023	634
Thereafter	916
Total	7,489

(c) The Board has committed to two contracts to purchase natural gas into the future. The two contracts have minimum daily purchase volumes of 754 and 225 gigajoules (GJ) of gas at the monthly Alberta Energy Company (AECO) C & Nova Inventory Transfer (NIT) Arithmetic Average price per GJ, plus $1.84 and $1.87 per GJ respectively for transporation. One Contract ends on July 31, 2019 and the other one on Oct 31, 2019.

13. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received $45,226 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 to 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 $3,369 ($3,369 in 2017) in grants in respect of the above agreement is recorded in these consolidated financial statements.

(In thousands of dollars)

14. Tangible capital assets

	Cost				Accumulated amortization					
	Opening September 1, 2017	Transfer/ Additions	Disposals/ Deemed Disposals	**Closing August 31, 2018**	Opening September 1, 2017	Amortization	Disposals/ Deemed Disposals	**Closing August 31, 2018**	**Net book value 2018**	Net book value 2017
	$	$	$	**$**	$	$	$	**$**	**$**	$
Land	270,717	3,725	—	**274,442**	—	—	—	—	**274,442**	270,717
Land improvements	29,744	2,708	—	**32,452**	13,485	5,258	—	**18,743**	**13,709**	16,259
Buildings 40 years	1,386,282	27,089	—	**1,413,371**	487,014	42,506	—	**529,520**	**883,851**	899,268
Portables	971	517	—	**1,488**	532	61	—	**593**	**895**	439
First time equipping	13,028	278	1,056	**12,250**	8,449	1,264	1,056	**8,657**	**3,593**	4,579
Furniture	484	56	90	**450**	223	47	90	**180**	**270**	261
Equipment 5 years	312	51	87	**276**	186	59	87	**158**	**118**	126
Equipment 10 years	1,580	1,561	271	**2,870**	954	222	271	**905**	**1,965**	626
Computer hardware	11,213	4,379	3,016	**12,576**	6,284	2,379	3,016	**5,647**	**6,929**	4,929
Computer software	599	98	149	**548**	322	115	149	**288**	**260**	277
Vehicles <10,000	217	—	—	**217**	112	43	—	**155**	**62**	105
Vehicles >10,000	141	—	—	**141**	27	14	—	**41**	**100**	114
Pre-acquisition cost - land	113	1	—	**114**	—	—	—	—	**114**	113
Pre-acquisition cost - Building	866	6,981	—	**7,847**	—	—	—	—	**7,847**	866
Leased tangible capital assets	5,124	—	—	**5,124**	2,458	1,278	—	**3,736**	**1,388**	2,666
Total	1,721,391	**47,444**	**4,669**	**1,764,166**	520,046	**53,246**	**4,669**	**568,623**	**1,195,543**	1,201,345

(In thousands of dollars)

15. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
	$	$
Invested in non-depreciable tangible capital assets	**274,556**	267,850
School generated funds	**10,398**	10,944
Employee future benefits	**(18,279)**	(18,279)
Interest accrual	**(5,119)**	(7,940)
Accumulated surplus – unappropriated	**18,478**	14,094
Accumulated surplus – internally appropriated	**44,892**	49,429
Sinking fund interest	**8,454**	9,150
Accumulated surplus	**333,380**	325,248

16. Partnership in STOPR Transportation Consortium

On December 14, 2007, the Board entered into an agreement with the Peel District School Board in order to provide common administration of student transportation in the region. This agreement was executed in an effort to increase delivery, efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities of the STOPR Transportation Consortium are shared. Neither Board is in a position to exercise unilateral control.

The Board's consolidated financial statement reflects its share of the Ministry transportation grants and related expenses.

The following provides condensed financial information:

	2018		2017	
	Total	**Board portion**	Total	Board portion
	$	$	$	$
Revenue	**63,172**	**20,230**	61,191	19,861
Expenses	**66,346**	**19,310**	64,102	18,946
Annual (deficit) surplus	**(3,174)**	**920**	(2,911)	915

The Board is also a member of Wellington-Dufferin Student Transportation Services Consortia. The Board is not actively involved in the management of this consortia. For the 2018 fiscal year, transportation costs of $1,733 ($1,540 in 2017) have been expensed in the consolidated financial statements.