Report and consolidated financial statements of

St. Clair Catholic District School Board

August 31, 2013

St. Clair Catholic District School Board

August 31, 2013

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Management Report

Management's Responsibility for the Consolidated Financial Statements

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

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Audit Committee 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 their recommendation to approve the consolidated financial statements to the Board. The Board meets with management to approve the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors who have been 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.

Amy Janssen

Associate Director
Corporate Services and Treasurer

Manager – Financial Services

November 12, 2013

Deloitte.

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Independent Auditor's Report

To the Board of Trustees of
St. Clair Catholic District School Board

We have audited the accompanying consolidated financial statements of the St. Clair Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2013, and the consolidated statements of operations, cash flows and change in net debt 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 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the St. Clair Catholic District School Board as at and for the year ended August 31, 2013 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

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

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
November 12, 2013

St. Clair Catholic District School Board

Consolidated statement of financial position
as at August 31, 2013
(In thousands of dollars)

	2013	2012
	$	$
Financial assets		
Cash and cash equivalents	**3,121**	4,571
Accounts receivable	**7,854**	4,742
Accounts receivable - Government of Ontario (Note 2)	**26,652**	22,137
Investments (Note 3)	**948**	1,183
	38,575	32,633
Financial liabilities		
Temporary borrowing (Note 4)	**3,300**	-
Accounts payable and accrued liabilities	**8,040**	4,269
Deferred revenue (Note 5)	**6,716**	5,968
Retirement and other employee future benefits (Note 6)	**10,996**	13,455
Net long-term liabilities (Note 7)	**21,076**	24,239
Deferred capital contributions (Note 8)	**85,819**	80,470
	135,947	128,401
Net debt	**(97,372)**	(95,768)
Non-financial assets		
Prepaid expenses	**411**	785
Tangible capital assets (Note 9)	**99,625**	96,518
	100,036	97,303
Accumulated surplus	**2,664**	1,535

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

St. Clair Catholic District School Board

Consolidated statement of operations
year ended August 31, 2013
(In thousands of dollars)

	2013 Budget (Unaudited)	2013 Actual	2012 Actual
	$	$	$
Revenues			
Provincial grants - Grants for Student Needs	**97,991**	**98,639**	100,792
Provincial grants - other	**4,929**	**4,888**	2,973
School generated funds	**3,500**	**3,187**	3,657
Federal grants and fees	**171**	**152**	101
Investment income	**150**	**121**	103
Other revenues - School boards	**111**	**122**	161
Other fees and revenues	**806**	**1,336**	1,256
Total revenues	**107,658**	**108,445**	109,043
Expenses			
Instruction	**79,711**	**78,158**	75,226
Administration	**3,824**	**3,840**	3,649
Transportation	**6,003**	**6,069**	6,183
Pupil accommodation	**14,017**	**14,575**	14,098
School generated funds	**3,500**	**3,165**	3,639
Other	**288**	**1,509**	458
Total expenses	**107,343**	**107,316**	103,253
Annual surplus	**315**	**1,129**	5,790
Accumulated surplus (deficit), beginning of year	**1,535**	**1,535**	(4,255)
Accumulated surplus, end of year	**1,850**	**2,664**	1,535

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

St. Clair Catholic District School Board

Consolidated statement of cash flows
year ended August 31, 2013
(In thousands of dollars)

	2013	2012
	$	$
Operating transactions		
Annual surplus	**1,129**	5,790
Sources and (uses)		
Non-cash items		
Amortization of tangible capital assets	**4,293**	4,106
Loss on disposition of tangible capital assets	**33**	129
Revenue recognized in period for deferred capital contributions	**(4,096)**	(4,086)
Recognition of deferred revenue related to prior capital expenditures transferred to deferred capital contributions	**1,988**	-
(Increase) decrease in accounts receivable	**(3,112)**	1,412
Decrease in assets held for sale	**-**	30
Increase (decrease) in accounts payable and accrued liabilities	**3,771**	(1,319)
Decrease (increase) in prepaid expenses	**374**	(329)
Increase in deferred revenue - operating	**372**	729
Decrease in retirement and other employee future benefits	**(2,459)**	(5,602)
	2,293	860
Capital transactions		
Acquisition of tangible capital assets	**(7,457)**	(4,061)
Proceeds on disposition of tangible capital assets	**24**	232
	(7,433)	(3,829)
Investing transactions		
Decrease (increase) in investments	**235**	(290)
Financing transactions		
Increase in temporary borrowing	**3,300**	-
Debt repayment and sinking fund contributions	**(3,163)**	(1,159)
(Increase) decrease in accounts receivable - Government of Ontario	**(4,515)**	174
Additions to deferred capital contributions	**7,457**	4,061
Increase in deferred revenues - capital	**376**	297
	3,455	3,373
Change in cash and cash equivalents	**(1,450)**	114
Cash and cash equivalents, beginning of year	**4,571**	4,457
Cash and cash equivalents, end of year	**3,121**	4,571

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

St. Clair Catholic District School Board

Consolidated statement of change in net debt
year ended August 31, 2013
(In thousands of dollars)

	2013	2012
	$	$
Annual surplus	**1,129**	5,790
Tangible capital asset activity		
Acquisition of tangible capital assets	**(7,457)**	(4,061)
Amortization of tangible capital assets	**4,293**	4,106
Loss on disposition of tangible capital assets	**33**	129
Proceeds on disposition of tangible capital assets	**24**	232
	(3,107)	406
Other non-financial asset activities		
Acquisition of prepaid expenses	**(256)**	(592)
Use of prepaid expenses	**630**	263
	374	(329)
(Increase) decrease in net debt	**(1,604)**	5,867
Net debt, beginning of year	**(95,768)**	(101,635)
Net debt, end of year	**(97,372)**	(95,768)

The accompanying notes to the consolidated financial statements are an integral part of these 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 reporting provision of the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and the accounting requirements of 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 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 require that:

(i) government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410.

(ii) externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100.

(iii) property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

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

1. Significant accounting policies (continued)

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.

Chatham-Kent Lambton Administrative School Services is jointly controlled and the Board accounts for its interest in this entity using proportionate consolidation (refer to Note 11).

Consolidated entities include:

St. Clair District Catholic Education Foundation
School Generated Funds
Chatham-Kent Lambton Administrative School Services

Interdepartmental and interorganizational transactions and balances between these organizations are eliminated.

c) Trust funds

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements, as the Board does not control them.

d) Cash and cash equivalents

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

e) Investments

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the consolidated statement of financial position at the lower of cost or market value.

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

f) Tangible capital assets

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

(In thousands of dollars)

1. Significant accounting policies (continued)

f) Tangible capital assets (continued)

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

Land improvements with finite lives	15 years
Buildings	40 years
Buildings – other	20 years
Portable structures	20 years
First time equipping	10 years
Furniture	10 years
Equipment	5 – 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 – 10 years

Assets under construction are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and are recorded at the lower of carrying value and estimated 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.

g) Deferred revenue

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

h) Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance and health care benefits, dental benefits, retirement gratuity and workers’ compensation. In 2012 changes were made to the Board’s retirement gratuity plan and retiree health, life and dental plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

(i) 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, discount rates and other actuarial assumptions. As a result of the plan change, the cost of retirement gratuities is 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. 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.

1. Significant accounting policies (continued)

h) Retirement and other employee future benefits (continued)

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

For any employees not impacted by the change, the projected benefits method prorated on service was used to determine the accrued benefit obligation. Under this method, the benefit costs are recognized over the expected average service life of the employee group any actuarial gains and losses related to the past service of employees 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 periodically, such as obligations for workers' compensation and long-term disability, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

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

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

i) 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

(iii) Property taxation revenues which were historically used to fund capital assets

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.

Government transfers for capital that meet the definition of a liability are recognized as deferred capital contributions as disclosed in Note 1i).

k) Investment income

Investment income earned is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds is added to the respective deferred revenue balances.

(In thousands of dollars)

1. Significant accounting policies (continued)

l) Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

m) Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting disclosed in Note 1a) 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 expenses during the year. Actual results could differ from these estimates.

2. Accounts receivable – Government of Ontario

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

The Board has an account receivable from the Province of Ontario of $26,652 (2012 - $22,137) as at August 31, 2013 with respect to capital grants.

3. Investments

Investments are comprised as follows:

		2013		2012
	Cost	**Market value**	Cost	Market value
	$	**$**	$	$
Cash	**25**	**25**	154	154
Guaranteed investment certificates	**700**	**707**	658	664
Government bonds	**223**	**240**	371	407
	948	**972**	1,183	1,225

Long-term investments are recorded at cost. These investments are assessed regularly for impairment and are written down if a permanent impairment exists.

4. Temporary borrowing

The Board has demand interim bridge credit available to the maximum of $17,380 (2012 - $0) to bridge finance capital project expenditures. All loans are due on demand and are in the form of bankers' acceptance notes. As at August 31, 2013, the amount drawn under the bankers' acceptance facility was $3,300 (2012 - $0) at a rate of 2.07%.

(In thousands of dollars)

5. Deferred revenue

Revenues received that are restricted 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, 2013 is comprised of:

	Balance August 31, 2012	Contributions received	Transferred to revenue	Transfers to deferred capital contributions	**Balance August 31, 2013**
	$	$	$	$	**$**
School renewal	59	1,353	(326)	(316)	**770**
Interest on capital	-	1,056	(1,056)	-	**-**
School Condition Improvement	-	904	-	-	**904**
Retrofitting school space for child care	-	659	-	-	**659**
Minor tangible capital assets	-	2,351	(1,928)	(423)	**-**
Proceeds of disposition	3,633	2	-	(1,900)	**1,735**
Special education allocation	-	11,069	(11,069)	-	**-**
Special education equipment	1,145	582	(140)	-	**1,587**
Education Program Other (EPO) funding	769	4,762	(4,673)	-	**858**
Other	362	80	(239)	-	**203**
	5,968	22,818	(19,431)	(2,639)	**6,716**

6. Retirement and other employee future benefits

Retirement and other employee future benefit liabilities

				2013	2012
	Retirement benefits	**Other employee future benefits**	**Workers' safety insurance benefits**	**Total employee future benefits**	Total employee future benefits
	$	**$**	**$**	**$**	$
Accrued employee future benefit obligations, end of year	**8,359**	**2,016**	**519**	**10,894**	13,941
Unamortized actuarial loss	**254**	**(152)**	**-**	**102**	(486)
Accrued benefit liability	**8,613**	**1,864**	**519**	**10,996**	13,455

(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

Retirement and other employee future benefit expenses

				2013	2012
	Retirement benefits	**Other employee future benefits**	**Workers' safety insurance benefits**	**Total employee future benefits**	Total employee future benefits
	$	**$**	**$**	**$**	$
Current year benefit cost	**280**	**133**	**(222)**	**191**	1,179
Gain on plan curtailment	**-**	**-**	**-**	**-**	(3,392)
Gain on plan termination	**-**	**-**	**-**	**-**	(5,757)
(Gain) loss on plan amendment	**-**	**91**	**(1,073)**	**(982)**	563
Amortized loss	**-**	**126**	**-**	**126**	3,180
Interest on accrued benefit obligation	**274**	**68**	**31**	**373**	815
Employee future benefits expense	**554**	**418**	**(1,264)**	**(292)**	(3,412)

Above amounts exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Plan changes

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. As a result, employees eligible for a retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days were eliminated as of September 1, 2012, and were replaced with a new short term leave and disability plan. In 2013, further changes were made to the short term leave and disability plan. Under the new short term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree (excluding employees with personal services contracts) 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.

(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2013 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2012. These valuations take into account the plan changes outlined above. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2013	2012
	%	%
Inflation	**2.0**	2.0
Interest	**3.4**	3.0
Health care cost escalation	**8.75 to 4.0**	9.0 to 4.0
Dental care cost escalation	**4.75 to 3.0**	5.0 to 3.0
Wage and salary escalation	**-**	-

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 of Ontario. 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, 2013, the Board contributed $1,416 (2012 - $1,295) 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 consolidated financial statements. In 2011, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of $1,874 and a corresponding curtailment gain was reported in the consolidated statement of operations for the year ended August 31, 2012.

6. Retirement and other employee future benefits (continued)

iv) Retirement life insurance and health care benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The 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 (excluding employees with personal services contracts) retiring on or after this date, will no longer qualify for board subsidized premiums or contributions. The changes to the Board's retirement health, life and dental plans resulted in a one-time reduction to the Board's obligation of $1,518 and a corresponding curtailment gain was reported in the consolidated statement of operations for the year ended August 31, 2012.

Other employee future benefits

i) Workplace Safety and Insurance Board obligations

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 benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 requires school boards to provide salary top-up to a maximum of 4.5 years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision. The plan change resulted in a one-time reduction to the Board's obligation of $1,073.

ii) School Boards' Co-operative Inc.

The Board is a member of the School Boards' Co-operative Inc., a co-operative managing workers' compensation. The Board makes annual contributions, in trust, to the co-operative which are invested on its behalf. The fund reimburses Workplace Safety and Insurance Board for claims paid on behalf of the Board. The annual contributions are reported as expenses in these consolidated financial statements. The co-operative holds $20 (2012 - $26) in trust for the Board as of August 31, 2013.

iii) Sick leave benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction to the obligation of $5,757 and a corresponding curtailment gain was reported in the consolidated statement of operations for the year ended August 31, 2012.

Sick leave top-up benefits

As a result of new changes made in 2013 to the short term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are $91 (2012 – nil).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2013. This actuarial valuation is based on assumptions about future events.

iv) Long-term disability life insurance and health care benefits

The Board may provide life insurance, dental and health care benefits to employees on long-term disability leave at the employees' request, however employees are directly responsible for any associated costs. The cost of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(In thousands of dollars)

7. Net long-term liabilities

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

	2013	2012
	$	$
Promissory note, 5.48%, maturing July 2026	-	2,617
Promissory note, 4.56%, maturing November 2031	3,113	3,218
Promissory note, 4.90%, maturing March 2033	2,031	2,091
Promissory note, 5.062%, maturing March 2034	1,406	1,443
Promissory note, 5.232%, maturing April 2035	1,181	1,209
Promissory note, 4.833%, maturing March 2036	13,345	13,661
	21,076	24,239

Principal payments relating to net long-term liabilities of $21,076 outstanding as at August 31, 2013 are due as follows:

	Principal	Interest	Total
	$	$	$
2013/14	573	1,012	1,585
2014/15	601	984	1,585
2015/16	630	955	1,585
2016/17	661	924	1,585
2017/18	693	892	1,585
Thereafter	17,918	8,456	26,374
Net long-term liabilities	21,076	13,223	34,299

On June 1, 2003, the Board received $2,663 from the “55 School Board Trust” for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the trust. As a result of the agreement the liability in respect of the NPF debt is no longer reflected in the Board’s financial position.

8. 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.

	2013	2012
	$	$
Balance, beginning of year	80,470	80,495
Additions to deferred capital contributions	7,457	4,061
Transfers from deferred revenue related to prior year expenditures	1,988	-
Revenue recognized in the year	(4,096)	(4,086)
Balance, end of year	85,819	80,470

(In thousands of dollars)

9. Tangible capital assets

	Cost				
	Opening balance	Additions and transfers	Disposals	Transfer to assets held for sale	Closing balance
	$	$	$	$	$
Land	7,668	-	-	-	7,668
Land improvements	1,218	542	-	-	1,760
Buildings - 40 yr	115,580	2,362	-	-	117,942
Buildings - 20 yr	125	-	41	-	84
Construction in progress	-	4,028	-	-	4,028
Portable structures	692	-	-	-	692
Equipment	1,194	43	89	-	1,148
First time equipping	603	110	-	-	713
Furniture	24	-	-	-	24
Computer hardware	3,003	360	418	-	2,945
Computer software	42	20	23	-	39
Vehicles	355	-	-	-	355
Pre-acquisition costs	70	(8)	-	-	62
Total	130,574	7,457	571	-	137,460

	Accumulated amortization				
	Opening balance	Amortization/ adjustments	Disposals/ (write-downs)	Transfers to assets held for sale	Closing balance
	$	$	$	$	$
Land	-	-	-	-	-
Land improvements	278	103	-	-	381
Buildings - 40 yr	30,744	3,352	-	-	34,096
Buildings - 20 yr	43	5	12	-	36
Construction in progress	-	-	-	-	-
Portable structures	651	16	-	-	667
Equipment	470	116	61	-	525
First time equipping	155	66	-	-	221
Furniture	15	3	-	-	18
Computer hardware	1,389	595	418	-	1,566
Computer software	30	8	23	-	15
Vehicles	281	29	-	-	310
Pre-acquisition costs	-	-	-	-	-
Total	34,056	4,293	514	-	37,835

(In thousands of dollars)

9. Tangible capital assets (continued)

	Net book value 2013	2012
	$	$
Land	**7,668**	7,668
Land improvements	**1,379**	940
Buildings - 40 yr	**83,846**	84,836
Buildings - 20 yr	**48**	82
Construction in progress	**4,028**	-
Portable structures	**25**	41
Equipment	**623**	724
First time equipping	**492**	448
Furniture	**6**	8
Computer hardware	**1,379**	1,614
Computer software	**24**	12
Vehicles	**45**	75
Pre-acquisition costs	**62**	70
Total	**99,625**	96,518

10. Debt charges and capital loans interest

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

	2013	2012
	$	$
Principal payments on long-term liabilities including contributions to sinking funds	**3,163**	902
Interest payments on long-term liabilities	**1,370**	1,563
	4,533	2,465

11. Partnership in Chatham-Kent Lambton Administrative School Services (CLASS)

Transportation, community use of school services and supervision of child care services for the Board are provided by CLASS which was incorporated on February 22, 2006. On that day the Board formalized an agreement with the Lambton Kent District School Board to provide common administration of student transportation and other services deemed beneficial to the boards in their shared jurisdiction. This agreement was executed in an effort to increase efficiency and cost effectiveness for each of the boards. Under the agreement created at the time CLASS was established, decisions related to the financial and operating activities of CLASS are shared. Neither partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board’s consolidated financial statements whereby the Board’s pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board’s consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

(In thousands of dollars)

11. Partnership in Chatham-Kent Lambton Administrative School Services (CLASS) (continued)

The following provides condensed financial information.

	2013		2012	
	Total	**Board portion**	Total	Board portion
	$	**$**	$	$
Financial position				
Financial assets	**212**	**72**	89	30
Financial liabilities	**212**	**72**	89	30
Accumulated surplus	**-**	**-**	-	-
Operations				
Revenues	**17,881**	**6,063**	18,019	6,147
Expenses	**17,881**	**6,063**	18,019	6,147
Annual surplus	**-**	**-**	-	-

12. Ontario School Board Insurance Exchange (OSBIE)

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of $2 million 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 31, 2016.

13. Contractual obligations and contingent liabilities

In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2013 cannot be predicted with certainty, it is the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

The Board is committed to capital expenditures in the amount of $12,242 (2012 - $0).

(In thousands of dollars)

14. Expenditures by Ministry of Education classification

The following is a summary of the expenses reported on the consolidated statement of operations by Ministry of Education classification:

	2013 Budget (Unaudited)	2013 Actual	2012 Actual
	$	$	$
Operating expenses			
Salary and wages	**72,368**	**74,094**	73,585
Employee benefits	**10,371**	**9,450**	5,511
Staff development	**695**	**646**	609
Supplies and services	**7,291**	**6,900**	6,648
Interest charges on capital debt	**1,171**	**1,366**	1,488
Rental expense	**31**	**31**	29
Fees and other contract services	**7,269**	**7,087**	7,261
Other	**247**	**250**	248
School generated funds	**3,500**	**3,165**	3,639
Amortization and disposal of tangible capital assets	**4,400**	**4,327**	4,235
	107,343	**107,316**	103,253

15. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation format adopted for the current year.