Report and consolidated financial statements of

St. Clair Catholic District School Board

August 31, 2017

St. Clair Catholic District School Board
August 31, 2017

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

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

The Audit Committee of the Board meets with 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 BDO Canada 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.

Dan Parr

Director of Education

Amy Janssen

Executive Superintendent
Corporate Services and Treasurer

November 7, 2017

BDO

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Windsor ON N8W 5A4 Canada

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of St. Clair Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2017, the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions described in Note 1 to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

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 the 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 and fair presentation 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 present fairly, in all material respects, the financial position of St. Clair Catholic District School Board as at August 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared to assist the St. Clair Catholic District School Board to meet the requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Windsor, Ontario
November 7, 2017

St. Clair Catholic District School Board

Consolidated statement of financial position
as at August 31, 2017

(In thousands of dollars)

	2017	2016
	$	$
Financial assets		
Cash and cash equivalents	**4,927**	5,300
Accounts receivable	**3,804**	4,538
Accounts receivable - Government of Ontario (Note 2)	**22,938**	20,998
Investments (Note 3)	**1,983**	1,889
	33,652	32,725
Financial liabilities		
Accounts payable and accrued liabilities	**6,778**	5,811
Deferred revenue (Note 5)	**3,682**	4,079
Retirement and other employee future benefits (Note 6)	**7,229**	8,209
Net long-term liabilities (Note 7)	**18,611**	19,272
Deferred capital contributions (Note 8)	**98,696**	96,924
	134,996	134,295
Net debt	**(101,344)**	(101,570)
Non-financial assets		
Prepaid expenses	**466**	235
Tangible capital assets (Note 9)	**110,922**	109,179
	111,388	109,414
Accumulated surplus	**10,044**	7,844

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

St. Clair Catholic District School Board

Consolidated statement of operations
year ended August 31, 2017
(In thousands of dollars)

	2017 Budget	2017 Actual	2016 Actual
	$	$	$
Revenues			
Provincial grants - Grants for Student Needs	**103,466**	**105,101**	103,833
Provincial grants - other	**915**	**1,270**	1,669
School generated funds	**2,730**	**3,000**	2,681
Federal grants and fees	**240**	**201**	268
Investment income	**75**	**161**	104
Other revenues - School boards	**-**	**14**	116
Other fees and revenues	**1,154**	**1,608**	1,463
Total revenues	**108,580**	**111,355**	110,134
Expenses			
Instruction	**79,267**	**80,585**	79,248
Administration	**3,937**	**4,130**	4,002
Transportation	**6,213**	**6,218**	6,062
Pupil accommodation	**14,853**	**14,324**	14,339
School generated funds	**2,730**	**3,113**	2,645
Other	**500**	**785**	980
Total expenses	**107,500**	**109,155**	107,276
Annual surplus	**1,080**	**2,200**	2,858
Accumulated surplus, beginning of year	**7,844**	**7,844**	4,986
Accumulated surplus, end of year	**8,924**	**10,044**	7,844

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

St. Clair Catholic District School Board

Consolidated statement of cash flows
year ended August 31, 2017
(In thousands of dollars)

	2017	2016
	$	$
Operating transactions		
Annual surplus	**2,200**	2,858
Sources and (uses):		
Non-cash items:		
Amortization of tangible capital assets	**5,330**	5,111
Write-down of tangible capital assets	**3**	57
Loss on disposition of tangible capital assets	**254**	-
Revenue recognized in period for deferred capital contributions	**(5,091)**	(4,846)
Deferred gain on disposal of restricted assets	**-**	(325)
Decrease (increase) in accounts receivable	**735**	(516)
Increase (decrease) in accounts payable and accrued liabilities	**967**	(139)
(Increase) decrease in prepaid expenses	**(231)**	20
Decrease in deferred revenue - operating	**(135)**	(154)
Decrease in retirement and other employee future benefits	**(979)**	(1,576)
	3,053	490
Capital transactions		
Acquisition of tangible capital assets	**(7,353)**	(4,610)
Proceeds on disposition of tangible capital assets	**23**	694
	(7,330)	(3,916)
Investing transactions		
(Increase) decrease in investments	**(94)**	245
Financing transactions		
Debt repayment	**(661)**	(630)
Increase in accounts receivable - Government of Ontario	**(1,940)**	(1,096)
Additions to deferred capital contributions	**6,863**	4,184
Decrease in deferred revenues - capital	**(264)**	(105)
	3,998	2,353
Change in cash and cash equivalents	**(373)**	(828)
Cash and cash equivalents, beginning of year	**5,300**	6,128
Cash and cash equivalents, end of year	**4,927**	5,300

The accompanying notes 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, 2017
(In thousands of dollars)

	2017 Budget	2017 Actual	2016 Actual
	$	$	$
Annual surplus	**1,080**	**2,200**	2,858
Tangible capital asset activity			
Acquisition of tangible capital assets	**(3,808)**	**(7,353)**	(4,610)
Amortization of tangible capital assets	**5,027**	**5,330**	5,111
Loss on disposition of tangible capital assets	**-**	**254**	-
Proceeds on disposition of tangible capital assets	**-**	**23**	694
Deferred gain on disposal of restricted assets	**-**	**-**	(325)
Write-down of tangible capital assets	**-**	**3**	57
	1,219	**(1,743)**	927
Other non-financial asset activity			
Acquisition of prepaid expenses	**-**	**(445)**	(279)
Use of prepaid expenses	**-**	**214**	299
	-	**(231)**	20
Decrease in net debt	**2,299**	**226**	3,805
Net debt, beginning of year	**(101,570)**	**(101,570)**	(105,375)
Net debt, end of year	**(99,271)**	**(101,344)**	(101,570)

The accompanying notes 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; and

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

c) *Trust funds*

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements, as 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 and income producing equities. 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 and assets that relate to pre-acquisition and pre-construction costs 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 pension, life insurance and health care benefits, dental benefits, retirement gratuity and workers' compensation.

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: OECTA, and CUPE. 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 up to 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. Starting April 1st, 2017, the Board is no longer responsible to provide certain benefits to OECTA employees. Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT 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: CUPE, APSSP and non-unionized employees including principals

1. Significant accounting policies (continued)

h) Retirement and other employee future benefits (continued)

and 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.

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.

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 and 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 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:

(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.

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 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) Property Tax Revenue

Under Canadian Public Sector Accounting Standards, The Province of Ontario records property taxes levied as property tax revenue. As a result, property tax revenue received by the Boards is recorded as part of the Legislative Grant.

l) 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.

m) 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.

n) 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. Significant estimates include assumptions used by actuaries to determine employee future benefit costs (Note 6). 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 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 $22,938 (2016 - $20,998) as at August 31, 2017 with respect to capital grants.

(In thousands of dollars)

3. Investments

Investments are comprised as follows:

	2017 Cost	2017 Market value	2016 Cost	2016 Market value
	$	**$**	$	$
Cash	**30**	**30**	32	32
Guaranteed investment certificates	**504**	**513**	594	605
Government bonds	**131**	**153**	131	165
Equities	**1,318**	**1,403**	1,132	1,163
	1,983	**2,099**	1,889	1,965

Included in investments is a $1,000 (2016 - $1,000) endowment from the Ursuline Religious of the Diocese of London in Ontario. Interest earned on the endowment is to be used for scholarships, bursaries and discretionary spending. The deferral of the endowment is included with deferred revenue (Note 5).

4. Temporary borrowing

The Board has credit facilities available to a maximum of $10,000 to address operating requirements and to bridge capital expenditures. All loans are due on demand and carry an interest rate of prime less 1 percent. As at August 31, 2017, the amount drawn was $nil (2016 - $nil).

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, 2017 is comprised of:

	Balance August 31, 2016	Contributions received	Transferred to revenue	Transfers to deferred capital contributions	**Balance August 31, 2017**
	$	$	$	$	**$**
School renewal	357	1,534	(133)	(1,636)	**122**
Interest on capital	-	939	(939)	-	**-**
Retrofitting school space for child care	29	-	-	(29)	**-**
Minor tangible capital assets	-	2,479	(1,947)	(532)	**-**
Proceeds of disposition	694	-	-	-	**694**
Special education allocation	-	12,425	(12,373)	-	**52**
Special education equipment	1,540	324	(482)	-	**1,382**
Student Achievement Envelope	-	872	(741)		**131**
Education Program Other (EPO) funding	209	101	(243)	-	**67**
Other (Note 3)	1,250	503	(519)	-	**1,234**
	4,079	19,177	(17,377)	(2,197)	**3,682**

(In thousands of dollars)

6. Retirement and other employee future benefits

Retirement and other employee future benefit liabilities

				2017	2016
	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	**5,988**	**1,164**	**640**	**7,792**	9,003
Unamortized actuarial loss	**(631)**	**68**	**-**	**(563)**	(794)
Accrued benefit liability	**5,357**	**1,232**	**640**	**7,229**	8,209

Retirement and other employee future benefit expenses

				2017	2016
	Retirement benefits	**Other employee future benefits**	**Workers' safety insurance benefits**	**Total employee future benefits**	Total employee future benefits
	$	**$**	**$**	**$**	$
Current year benefit cost	**-**	**6**	**66**	**72**	339
(Gain) on voluntary early payout	**-**	**-**	**-**	**-**	(121)
Amortized (gain) loss	**122**	**(107)**	**-**	**15**	74
Interest on accrued benefit obligation	**132**	**25**	**14**	**171**	243
Employee future benefits expense	**254**	**(76)**	**80**	**258**	535

Above amounts exclude 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, 2017 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2017. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2017	2016
	%	%
Inflation	**1.5**	1.5
Interest	**2.6**	2.1
Health care cost escalation	**8.0 to 4.0**	8.0 to 4.0
Dental care cost escalation	**4.0 to 3.0**	4.0 to 3.0
Wage and salary escalation	**2.0**	2.0

6. Retirement and other employee future benefits (continued)

Retirement benefits (continued)

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, 2017, the Board contributed $1,584 (2016 - $1,563) 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. 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

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.

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.

(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

Other employee future benefits (continued)

ii) Sick leave top-up benefits

Under 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 $55 (2016 - $57).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2017. This actuarial valuation is based on assumptions about future events and is based on the average daily salary and banked sick days of employees at August 31, 2017.

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

The Board may provide to employees who are not yet members of an ELHT, life insurance, dental and health care benefits 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.

7. Net long-term liabilities

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

	2017	2016
	$	$
Promissory note, 4.56%, maturing November 2031	**2,640**	2,767
Promissory note, 4.90%, maturing March 2033	**1,761**	1,833
Promissory note, 5.062%, maturing March 2034	**1,236**	1,282
Promissory note, 5.232%, maturing April 2035	**1,052**	1,086
Promissory note, 4.833%, maturing March 2036	**11,922**	12,304
	18,611	19,272

Principal payments relating to net long-term liabilities of $18,611 outstanding as at August 31, 2017 are due as follows:

	Principal	Interest	Total
	$	$	$
2017/18	693	892	1,585
2018/19	727	858	1,585
2019/20	762	823	1,585
2020/21	799	786	1,585
2021/22	838	747	1,585
Thereafter	14,792	5,242	20,034
Net long-term liabilities	18,611	9,348	27,959

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 not permanently financed (NPF) debt is no longer reflected in the Board's financial position.

(In thousands of dollars)

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.

	2017	2016
	$	$
Balance, beginning of year	**96,924**	97,586
Additions to deferred capital contributions	**6,863**	4,184
Revenue recognized in the year	**(5,091)**	(4,846)
Balance, end of year	**98,696**	96,924

9. Tangible capital assets

					Cost
	Opening balance	**Additions and transfers**	**Disposals/ writedowns**	**Transfer to assets held for sale**	**Closing balance**
	$	**$**	**$**	**$**	**$**
Land	**7,668**	**-**	**-**	**-**	**7,668**
Land improvements	**2,808**	**1,174**	**-**	**-**	**3,982**
Buildings - 40 yr	**139,108**	**5,615**	**471**	**-**	**144,252**
Buildings - 20 yr	**84**	**-**	**-**	**-**	**84**
Construction in progress	**-**	**-**	**-**	**-**	**-**
Portable structures	**588**	**-**	**-**	**-**	**588**
Equipment	**1,308**	**194**	**98**	**-**	**1,404**
First time equipping	**1,522**	**-**	**-**	**-**	**1,522**
Furniture	**4**	**9**	**-**	**-**	**13**
Computer hardware	**3,125**	**327**	**829**	**-**	**2,623**
Computer software	**250**	**1**	**4**	**-**	**247**
Vehicles	**309**	**-**	**35**	**-**	**274**
Pre-acquisition costs	**11**	**33**	**11**	**-**	**33**
Total	**156,785**	**7,353**	**1,448**	**-**	**162,690**

(In thousands of dollars)

9. Tangible capital assets (continued)

	Accumulated amortization				
	Opening balance	Amortization/ adjustments	Disposals/ (write-downs)	Transfers to assets held for sale	Closing balance
	$	$	$	$	$
Land	-	-	-	-	-
Land improvements	754	230	-	-	984
Buildings - 40 yr	43,072	4,168	203	-	47,037
Buildings - 20 yr	48	4	-	-	52
Construction in progress	-	-	-	-	-
Portable structures	588	-	-	-	588
Equipment	549	142	97	-	594
First time equipping	476	153	-	-	629
Furniture	1	-	-	-	1
Computer hardware	1,725	574	829	-	1,470
Computer software	102	51	4	-	149
Vehicles	291	8	35	-	264
Pre-acquisition costs	-	-	-	-	-
Total	47,606	5,330	1,168	-	51,768

	Net book value	
	2017	2016
	$	$
Land	7,668	7,668
Land improvements	2,998	2,054
Buildings - 40 yr	97,215	96,035
Buildings - 20 yr	32	36
Construction in progress	-	-
Portable structures	-	-
Equipment	810	760
First time equipping	893	1,046
Furniture	12	3
Computer hardware	1,153	1,400
Computer software	98	148
Vehicles	10	18
Pre-acquisition costs	33	11
Total	110,922	109,179

The write-down of Tangible Capital Assets during the year was $3 (2016 - $57).

(In thousands of dollars)

10. Debt charges and capital loans interest

The expenditure for debt charges and capital loans interest includes principal and interest payments as follows:

	2017	2016
	$	$
Principal payments on long-term liabilities including contributions to sinking funds	**661**	630
Interest payments on long-term liabilities	**924**	955
	1,585	1,585

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

Transportation, community use of school services, supervision of child care services and energy and environmental 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.

The following provides condensed financial information.

		2017		2016
	Total	**Board portion**	Total	Board portion
	$	**$**	$	$
Financial position				
Financial assets	**2,440**	**821**	959	792
Financial liabilities	**2,440**	**821**	959	792
Accumulated surplus	**-**	**-**	-	-
Operations				
Revenues	**18,367**	**6,206**	17,935	6,042
Expenses	**18,367**	**6,206**	17,935	6,042
Annual surplus	**-**	**-**	-	-

(In thousands of dollars)

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 $2,000 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 31, 2021.

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, 2017 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 $257 (2016 - $408).

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:

	2017 Budget	**2017 Actual**	2016 Actual
	$	**$**	$
Operating expenses			
Salary and wages	**71,663**	**73,151**	72,577
Employee benefits	**10,676**	**11,140**	10,743
Staff development	**1,042**	**459**	520
Supplies and services	**7,384**	**6,956**	7,005
Interest charges on capital debt	**915**	**915**	946
Rental expense	**73**	**18**	22
Fees and other contract services	**7,446**	**7,450**	7,341
Other	**544**	**342**	309
School generated funds	**2,730**	**3,113**	2,645
Amortization, writedowns and disposal of tangible capital	**5,027**	**5,611**	5,168
	107,500	**109,155**	107,276