Consolidated Financial Statements

Lakehead District School Board

August 31, 2019

Tel: 807-625-4444
Fax: 807-623-8460
www.bdo.ca

BDO Canada LLP
1095 Barton Street
Thunder Bay ON P7B 5N3 Canada

Independent Auditor's Report

To the Board of Trustees of Lakehead District School Board

Qualified Opinion

We have audited the consolidated financial statements of Lakehead District School Board (the School Board) and its controlled entities (the Group), which comprise the consolidated statement of financial position as at August 31, 2019, and the consolidated statements of operations and accumulated deficit, cash flows and change in net debt for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group as at and for the year ended August 31, 2019, are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis for Qualified Opinion

In common with many school boards, the Lakehead District School Board derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Lakehead District School Board. Therefore, we were not able to determine whether any adjustments might be necessary to school generated funds revenue, annual surplus and cash flows from operations for the years ended August 31, 2019 and 2018, financial assets as at August 31, 2019 and 2018 and accumulated deficit as at September 1 and August 31 for both 2019 and 2018 years. Our audit opinion on the consolidated financial statements for the year ended August 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Lakehead District School Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Emphasis of Matter - Basis of Accounting

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. Our opinion is not modified in respect of this matter.

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Thunder Bay, Ontario
November 26, 2019

Management Report

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Lakehead District School Board have been prepared in compliance with legislation, and in accordance with the Financial Administration Act. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of 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 control 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 financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The 2019 financial statements for the Lakehead District School Board 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 presentation of the information included in the Board's financial statements.

Ian MacRae

Director of Education

Superintendent of Business

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Lakehead District School Board — Statement 1
Consolidated Statement of Financial Position

As at August 31	2019	2018
	$	$
	[Thousands of Dollars]	
FINANCIAL ASSETS		
Cash and cash equivalents	**162**	169
Investments *[note 2]*	**4,153**	8,902
Accounts receivable	**24,654**	12,137
Accounts receivable – Government of Ontario approved capital *[note 3]*	**51,502**	46,425
TOTAL FINANCIAL ASSETS	**80,471**	67,633
LIABILITIES		
Temporary borrowing *[note 8]*	**14,145**	780
Accounts payable and accrued liabilities	**15,571**	12,488
Other liabilities	**237**	226
Long-term debt *[note 7]*	**32,918**	34,289
Deferred revenue *[note 4]*	**8,976**	11,699
Retirement and other employee future benefits liabilities *[note 6]*	**14,765**	13,028
Deferred capital contributions *[note 5]*	**144,676**	123,692
TOTAL FINANCIAL LIABILITIES	**231,288**	196,202
NET DEBT	**(150,817)**	(128,569)
NON-FINANCIAL ASSETS		
Prepaid expenses	**97**	57
Tangible capital assets – net *[note 11]*	**148,070**	127,121
TOTAL NON-FINANCIAL ASSETS	**148,167**	127,178
ACCUMULATED DEFICIT *[note 12]*	**(2,650)**	(1,391)

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

On behalf of the Board:

Director of Education Chair of the Board

Lakehead District School Board — Statement 2
Consolidated Statement of Operations and Accumulated Deficit

Year ended August 31	2019 Budget (Unaudited) *Note 1*	2019 Actual	2018 Actual
	$	$	$
	[Thousands of Dollars]		
REVENUES			
Provincial legislative grants	**115,607**	**122,129**	115,253
Provincial grants – other	**2,082**	**4,145**	4,444
School generated funds	**2,024**	**2,014**	2,161
Federal grants and fees	**2,464**	**2,595**	2,394
Investment income	**204**	**141**	216
Other revenues – school boards	**180**	**230**	235
Other fees and revenues	**1,719**	**2,570**	964
Amortization of deferred capital contributions	**8,849**	**8,304**	7,992
TOTAL REVENUES	**133,129**	**142,128**	133,659
EXPENSES			
Instruction	**94,528**	**100,007**	94,944
Administration	**5,493**	**5,167**	4,908
Transportation	**7,044**	**6,811**	6,813
Pupil accommodation	**24,198**	**25,464**	23,704
School generated funds	**2,023**	**2,003**	2,283
Other	**99**	**3,935**	752
TOTAL EXPENSES *[note 10]*	**133,385**	**143,387**	133,404
Annual surplus (deficit)	**(256)**	**(1,259)**	255
Accumulated deficit, beginning of year	**(1,391)**	**(1,391)**	(1,646)
Accumulated deficit, end of year	**(1,674)**	**(2,650)**	(1,391)

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

Lakehead District School Board — Statement 3
Consolidated Statement of Cash Flows

Year ended August 31	2019	2018
	$	$
	[Thousands of Dollars]	
OPERATIONS		
Annual surplus (deficit)	**(1,259)**	255
Non-cash charges		
Amortization of tangible capital assets	**8,602**	8,266
Loss on disposal of tangible capital assets	**3,459**	167
Amortization of deferred capital contributions	**(8,304)**	(7,992)
Increase (decrease) in retirement and other employee future benefits liabilities	**1,737**	(1,708)
Net change in non-cash working capital balances		
Increase in accounts receivable	**(12,517)**	(3,271)
Increase in accounts receivable – Government of Ontario approved capital	**(5,077)**	(4,628)
Increase in accounts payable and accrued liabilities	**3,083**	1,215
Increase in other liabilities	**11**	12
(Decrease) increase in deferred revenue	**(2,723)**	947
Increase in prepaid expenses	**(40)**	(7)
Cash applied to operating transactions	**(13,028)**	(6,744)
INVESTING TRANSACTIONS		
Decrease in investments	**4,749**	1,875
Cash applied to investing transactions	**4,749**	1,875
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	**(33,010)**	(19,764)
Cash applied to capital transactions	**(33,010)**	(19,764)
FINANCING TRANSACTIONS		
Increase in temporary borrowing	**13,365**	780
Principal payments on long-term debt	**(1,371)**	(1,306)
Grants received – deferred capital contributions	**29,288**	19,485
Cash provided by financing transactions	**41,282**	18,959
CHANGE IN CASH AND CASH EQUIVALENTS	**(7)**	(5,674)
Opening cash and cash equivalents	**169**	5,843
Closing cash and cash equivalents	**162**	169

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

Lakehead District School Board — Statement 4
Consolidated Statement of Change in Net Debt

Year ended August 31	2019 Budget (Unaudited) *Note 1*	2019 Actual	2018 Actual
	$	$	$
		[Thousands of Dollars]	
Annual surplus (deficit)	**(256)**	**(1,259)**	255
Acquisition of tangible capital assets	**(27,904)**	**(33,010)**	(19,764)
Amortization of tangible capital assets	**9,119**	**8,602**	8,266
Loss on disposal of tangible capital assets	**—**	**3,459**	167
Acquisition of prepaid expenses	**—**	**(40)**	(7)
	(18,785)	**(20,989)**	(11,338)
Increase in net debt	**(19,041)**	**(22,248)**	(11,083)
Net debt, beginning of year	**(128,569)**	**(128,569)**	(117,486)
Net debt, end of year	**(147,610)**	**(150,817)**	(128,569)

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

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Lakehead District School Board 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 and Accumulated Deficit 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 Accumulated Deficit and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

[b] Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues 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.

Consolidated entities

School Generated Funds

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

[c] Trust funds

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

[d] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits.

[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 expenditures are incurred or services performed.

[g] Deferred capital contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, 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:

- Government transfers received or receivable for capital purpose;
- Other restricted contributions received or receivable for capital purpose; and
- Property taxation revenues which were historically used to fund capital assets.

[h] Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established for all employee groups in 2016-18. 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. The Board is no longer responsible to provide certain benefits to ETFO (June 1, 2017), OSSTF (June 1, 2017), OSSTF-EW (June 1, 2017), CUPE (March 1, 2018), principal/vice principal (April 1, 2018), principal/vice principal retirees (April 1, 2018), OCEW (June 1, 2018), non-unionized employees (June 1, 2018), and non-unionized retirees (June 1, 2018). Upon transition of the employee groups' heath, 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) 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 CUPE and OSSTF retired individuals.

Benefits for employee groups that have transitioned to the ELHT are similar to a defined contributions plan and the Board is no longer responsible for the continuation of group benefits for employees on LTD. Since all employee groups have transitioned to the ELHT as at August 31, 2018, the liability for the continuation of group benefits for

employees on LTD has been eliminated.

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 cost trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days (if applicable) and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and sick days, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation 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 (OMERS) 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.

[l] 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.

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

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

Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Portable structures	20 years
Other buildings	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Leasehold improvements	over the lease term

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 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 the carrying value is written-down to its residual value. Building permanently removed from service and held for resale 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.

[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, and 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 that 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 changes and special education forms part of the respective deferred revenue balances.

[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 with 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 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 financial statements in conformity with the basis of accounting described in note 1[a] requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Use of estimates include the useful lives of tangible capital assets, actuarial assumption for retirement and other employee future benefit liabilities and the allowance for doubtful accounts.

[n] Property tax revenue

Under Canadian 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 the Provincial Legislative Grants.

2. INVESTMENTS

Investments are recorded at cost. The total market value of the Board's investments at August 31, 2019 was approximately $4,153 [2018 - $8,902]. The Board's investments are comprised of cash and Guaranteed Investment Certificates.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO APPROVED CAPITAL

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 and unfunded debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

As at August 31, 2019, the Board has a receivable from the Province of Ontario of $51,502 [2018 - $46,425] with respect to capital grants.

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2019 is $14,797.

4. DEFERRED REVENUE

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

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

	Balance as at August 31, 2018 $	**Externally restricted revenue and investment income $**	**Revenue recognized in period $**	**Transfers to deferred capital contributions $**	**Balance as at August 31, 2019 $**
Gain on disposal of tangible capital assets	4,078	—	—	—	**4,078**
Distant school	228	—	—	—	**228**
Special Education - SEA	120	**17,153**	**17,273**	—	—
Student Achievement	52	**603**	**655**	—	—
Indigenous Education	—	**853**	**853**	—	—
School renewal	5,166	**2,366**	**93**	**4,436**	**3,003**
Other grants	2,026	**1,638**	**2,026**	—	**1,638**
Pupil accommodation	29	—	—	—	**29**
	11,699	**22,613**	**20,900**	**4,436**	**8,976**

5. DEFERRED CAPITAL CONTRIBUTIONS

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	2019 $	2018 $
Opening balance	**123,692**	112,199
Additions to deferred capital contributions	**29,288**	19,485
Amortization	**(8,304)**	(7,992)
	144,676	123,692

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2019			2018
	Retirement Benefits $	**Other Employee Future Benefits** $	**Total Employee Future Benefits** $	Total Employee Future Benefits $
Accrued employee future benefits obligations	**5,448**	**10,396**	**15,844**	13,519
Unamortized actuarial losses	**(1,079)**	**—**	**(1,079)**	(491)
Employee future benefits liabilities	**4,369**	**10,396**	**14,765**	13,028

Retirement and Other Employee Future Benefits Expenses

	2019			2018
	Retirement Benefits $	**Other Employee Future Benefits** $	**Total Employee Future Benefits** $	Total Employee Future Benefits $
Current year benefit cost	**—**	**4,024**	**4,024**	149
Interest on accrued benefit obligation	**150**	**258**	**408**	365
Recognition of unamortized actuarial losses on plan amendments	**71**	**(28)**	**43**	122
Employee future benefits expenses*	**221**	**4,254**	**4,475**	636
Benefit payments	**(1,073)**	**(1,665)**	**(2,738)**	(2,344)
Change in employee future benefits	**(852)**	**2,589**	**(1,737)**	(1,708)

* Retirement gratuity benefits are being amortized over the Employee Average Remaining Service Life (EARSL), which has been determined to be 9.4 years.

* Excluding pension contributions to the OMERS, a multi-employer pension plan, described below.

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2019 are based on actuarial valuations for accounting purposes as at August 31, 2019. These actuarial valuations were based on assumptions about future events. 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:

	2019	2018
	%	%
Inflation	**1.5**	1.5
Wage and salary escalation	**0**	0
Discount on accrued benefit obligations	**2.00**	2.90

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, 2019, the Board contributed $1,972 [2018 - $1,938] 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 now based on their salary, accumulated sick days, and years of service at 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. The Board has accumulated $750 [2018 - $750] in a reserve fund to assist with financing future claims and the insurance deductible on catastrophic claims.

[ii] Long-Term Disability Salary Compensation

Currently, the Board administers benefits through a health and welfare trust. The Board provides long-term disability benefits including partial salary compensation during the period an employee is unable to work or until their normal retirement date. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan is included in the Board's consolidated financial statements. The Board has accumulated assets of $5,151 [2018 - $6,157] in a trust fund to assist with financing future claims and rate fluctuations.

[iii] Sick Leave Benefits

A maximum of eleven unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are $1 [2018 - $4].

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2019 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

7. LONG-TERM DEBT

Long-term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	2019 $	2018 $
Ontario Financing Authority		
Fixed rate term loan payable in blended semi-annual instalments of $192,974 at 4.56%, maturing November, 2031.	**3,647**	3,859
Fixed rate term loan payable in blended semi-annual instalments of $16,141 at 4.90%, maturing March, 2033.	**321**	337
Fixed rate term loan payable in blended semi-annual instalments of $38,371 at 5.06%, maturing March, 2034.	**793**	828
Fixed rate term loan payable in blended semi-annual instalments of $1,210,794 at 5.23%, maturing April, 2035.	**25,932**	26,957
Fixed rate term loan payable in blended semi-annual instalments of $41,524 at 4.83%, maturing March, 2036.	**949**	985
Fixed rate term loan payable in blended semi-annual instalments of $37,691 at 3.97%, maturing November, 2036.	**945**	981
Fixed rate term loan payable in blended semi-annual instalments of $10,751 at 2.99%, maturing March, 2040.	**331**	342
	32,918	34,289

Principal payments relating to long-term debt of $32,918, outstanding as at August 31, 2019, are due as follows:

	Principal $	**Interest** $	**Total** $
2020	**1,442**	**1,640**	**3,082**
2021	**1,516**	**1,567**	**3,083**
2022	**1,594**	**1,490**	**3,084**
2023	**1,675**	**1,409**	**3,084**
2024	**1,762**	**1,323**	**3,085**
Thereafter	**24,929**	**7,632**	**32,561**
	32,918	**15,061**	**47,979**

8. TEMPORARY BORROWING

The Board has lines of credit available to a maximum of $65 million to address operating requirements and/or bridge capital expenditures.

Interest on the operating facilities equal the bank's prime lending rate less 1%. All loans are unsecured and due on demand.

As at August 31, 2019, the amount drawn under the operating facility was $14,145 [2018 - $780].

9. DEBT CHARGES AND CAPITAL LOANS

Total payments for the year for long-term debt are as follows:

	2019 $	2018 $
Principal payments on long-term debt	**1,371**	1,306
Interest payments on long-term debt	**1,723**	1,791
	3,094	3,097

10. EXPENSES BY OBJECT

The following is a summary of the expenses reported on the Consolidated Statement of Operations and Accumulated Deficit by object:

	2019 Budget $	**2019 Actual $**	2018 Actual $
	(Unaudited) Note 1		
Expenses			
Salaries and wages	**86,086**	**88,931**	87,337
Employee benefits	**14,829**	**18,337**	13,784
Staff development	**187**	**364**	295
Supplies and services	**13,075**	**13,017**	12,998
Interest	**1,725**	**1,725**	1,840
Fees and contracted services	**8,189**	**8,257**	7,925
Other	**175**	**695**	792
Amortization of tangible capital assets	**9,119**	**8,602**	8,266
Loss on disposal of tangible capital assets	**—**	**3,459**	167
	133,385	**143,387**	133,404

11. TANGIBLE CAPITAL ASSETS - NET

	Cost					Accumulated Amortization					Net Book Value	
	Balance Sept. 1, 2018 $	Additions and transfers $	Disposals $	Transfers from assets held for sale $	Balance Aug. 31, 2019 $	Balance Sept. 1, 2018 $	Amortization $	Disposals, write-offs, adjustment $	Transfer from assets for sale $	Balance Aug. 31, 2019 $	Aug. 31, 2019 $	Aug. 31, 2018
Land	1,017	—	—	—	1,017	—	—	—	—	—	1,017	1,017
Land improvements	5,406	2,188	—	—	7,594	2,327	542	—	—	2,869	4,725	3,079
Buildings	200,804	18,960	10,085	—	209,679	89,295	7,069	6,626	—	89,738	119,941	111,509
Furniture and equipment	10,523	619	497	—	10,645	7,594	935	497	—	8,032	2,613	2,929
Vehicles	419	—	—	—	419	403	7	—	—	410	9	16
Leasehold improvements	197	—	—	—	197	75	49	—	—	124	73	122
Construction in progress	8,449	11,243	—	—	19,692	—	—	—	—	—	19,692	8,449
Total	226,815	33,010	10,582	—	249,243	99,694	8,602	7,123	—	101,173	148,070	127,121

a) Contractual Obligation

The Board has a contractual obligation of $16,000 for the remaining work on the new elementary school build. The funding has been approved to cover this obligation.

12. ACCUMULATED DEFICIT

Accumulated deficit consists of the following:

	2019 $	2018 $
Surplus (deficit)		
Operating surplus available for compliance	**819**	3,895
Amounts restricted for future use by Board motion	**8,023**	6,995
Unfunded amounts to be recovered	**(12,694)**	(13,463)
Interest accrual	**(423)**	(431)
School Generated Funds	**608**	596
Revenues recognized for land	**1,017**	1,017
Total deficit	**(2,650)**	(1,391)

13. INTERNALLY RESTRICTED SURPLUSES

Restricted amounts are made up of the following:

	2019 $	2018 $
Retirement gratuity	**770**	764
Archives	**20**	20
Transition assistance	**32**	32
Old Fort William	**77**	75
Demutualization	**2,272**	943
WSIB	**750**	750
Facility stabilization	**440**	440
Board capital – other needs	**306**	306
Financial stabilization	**1,782**	2,116
Committed capital	**1,574**	1,549
	8,023	6,995

14. TRUST FUNDS

Trust funds administered by the Board amounting to $832 [2018 - $827] have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Deficit.

15. CONTINGENCIES

In the ordinary course of business, there are outstanding claims against the Board for which the amount of the settlement, if any, is not determinable at this time. These contingencies will be recognized in the financial statements as liabilities and expenses, net of insurance proceeds where applicable, when it is determined that the claims are likely and are reasonably estimable.

16. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licenced under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of $20 million per occurrence.

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

17. PARTNERSHIP IN STUDENT TRANSPORTATION SERVICES OF THUNDER BAY

The Board has entered into an agreement with the Thunder Bay Catholic District School Board and Conseil Scolaire de District Catholic des Aurores boréales 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 member Boards are shared. No partner is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect its pro-rata share of expenses.

18. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received $1,329,731 from 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. 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the Trust. Under the terms of the agreement, 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.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.