

Consolidated Financial Statements

Thunder Bay Catholic District School Board

August 31, 2018

Management Report

Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

The 2018 consolidated financial statements for the Thunder Bay Catholic District School Board have been audited by Grant Thornton 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.

Director of Education

Superintendent,
Business and Corporate
Services

Jan. 8/19.
Date

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Independent Auditor's Report

Grant Thornton LLP
Suite 300
979 Alloy Drive
Thunder Bay, ON
P7B 5Z8

T +1 807 345 6571
F +1 807 345 0032
www.GrantThornton.ca

To the Board of Trustees of
Thunder Bay Catholic District School Board

We have audited the accompanying consolidated financial statements of Thunder Bay Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2018 and the consolidated statements of operations and accumulated surplus, 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 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 Board'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 Board'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.

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

Basis for qualified opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Therefore, we were not able to determine whether any adjustments might be necessary to school fundraising revenue, annual surplus (deficit), and cash flows from operations for the years ended August 31, 2018 and 2017, current assets as at August 31, 2018 and 2017, and net debt as at September 1, 2018 and 2017 and August 31, 2018 and 2017. Our audit opinion on the financial statements for the year then ended August 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the consolidated financial statements as at and for the year ended August 31, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of matter

Without modifying our opinion, we draw attention to note 1 to the consolidated financial statements which describe 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.

Grant Thornton LLP

Thunder Bay, Canada
December 10, 2018

Chartered Professional Accountants
Licensed Public Accountants

Thunder Bay Catholic District School Board Statement 1
Consolidated Statement of Financial Position

As at August 31	**2018**	2017
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**17,904,148**	4,223,472
Investments *[note 2]*	**284,988**	12,724,954
Accounts receivable	**3,320,641**	4,264,654
Accounts receivable - Government of Ontario Approved Capital *[note 3]*	**25,709,817**	25,669,816
TOTAL FINANCIAL ASSETS	**47,219,594**	46,882,896
LIABILITIES		
Accounts payable and accrued liabilities	**6,309,800**	6,001,780
Long-term debt *[note 5]*	**19,707,298**	20,669,608
Capital lease obligations *[note 6]*	**148,540**	318,488
Deferred revenue *[note 8]*	**2,378,825**	1,955,974
Deferred capital contributions *[note 9]*	**82,746,257**	74,820,789
Retirement and other employee future benefits liabilities *[note 10]*	**3,428,074**	3,760,905
TOTAL FINANCIAL LIABILITIES	**114,718,794**	107,527,544
NET DEBT	**(67,499,200)**	(60,644,648)
NON-FINANCIAL ASSETS		
Tangible capital assets *[note 12]*	**85,698,026**	78,153,762
Prepaid expenses	**124,085**	1,772,389
TOTAL NON-FINANCIAL ASSETS	**85,822,111**	79,926,151
ACCUMULATED SURPLUS *[note 13]*	**18,322,911**	19,281,503

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Director of Education Chair of the Board

Thunder Bay Catholic District School Board Statement 2
Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31	2018 Budget	2018 Actual	2017 Actual
	$ *[note 1[l]]*	$	$
REVENUES			
Provincial legislative grants	**99,878,499**	**99,972,393**	96,977,742
Provincial grants - other	**748,713**	**3,871,879**	1,382,907
School Generated Funds	**1,645,700**	**1,910,726**	1,543,399
Federal grants and fees	**2,327,421**	**2,225,112**	2,144,361
Investment income	**80,213**	**280,152**	376,005
Other revenues - school boards	**490,000**	**654,037**	533,385
Other fees and revenues	**78,289**	**1,165,037**	1,223,277
Amortization of deferred capital contributions	**5,842,651**	**4,934,358**	4,450,466
TOTAL REVENUES	**111,091,486**	**115,013,694**	108,631,542
EXPENSES			
Instruction	**83,470,000**	**85,858,872**	81,652,982
Administration	**4,943,900**	**5,457,984**	4,911,561
Transportation	**6,396,500**	**6,456,629**	5,654,048
Pupil accommodation	**14,512,574**	**14,899,626**	13,688,725
School Generated Funds	**1,645,700**	**1,916,808**	1,542,271
Other	**521,809**	**1,382,367**	525,809
TOTAL EXPENSES *[note 11]*	**111,490,483**	**115,972,286**	107,975,396
Annual surplus (deficit)	**(398,997)**	**(958,592)**	656,146
Accumulated surplus, beginning of year	**18,620,231**	**19,281,503**	18,625,357
Accumulated surplus, end of year *[note 13]*	**18,221,234**	**18,322,911**	19,281,503

See accompanying notes to the consolidated financial statements.

Thunder Bay Catholic District School Board Statement 3
Consolidated Statement of Cash Flows

Year ended August 31	**2018**	2017
	$	$
OPERATIONS		
Annual surplus (deficit)	**(958,592)**	656,146
Non-cash charges		
Amortization of tangible capital assets *[note 12]*	**5,316,800**	4,736,564
Amortization of deferred capital contributions *[note 9]*	**(4,934,358)**	(4,450,466)
Net change in non-cash working capital balances		
Decrease in accounts receivable	**944,013**	2,711,077
Increase (decrease) in accounts payable and accrued liabilities	**308,020**	(181,305)
Increase in deferred revenue	**422,851**	455,531
Decrease in retirement and other employee future benefits liabilities	**(332,831)**	(820,681)
(Increase) decrease in prepaid expenses	**1,648,304**	(1,721,338)
Cash provided by operating transactions	**2,414,207**	1,385,528
INVESTING		
Decrease in investments	**12,439,966**	6,898,916
Cash provided by investing transactions	**12,439,966**	6,898,916
CAPITAL		
Acquisition of tangible capital assets *[note 12]*	**(12,861,064)**	(9,627,825)
Cash applied to capital transactions	**(12,861,064)**	(9,627,825)
FINANCING		
Increase in accounts receivable – Government of Ontario Approved Capital	**(40,002)**	(4,049,762)
Grant received – deferred capital contributions	**12,859,826**	7,782,101
Principal payments on long-term debt and capital lease obligations	**(1,132,257)**	(1,057,558)
Cash provided by financing transactions	**11,687,567**	2,674,781
Increase in cash and cash equivalents	**13,680,676**	1,331,400
Opening cash and cash equivalents	**4,223,472**	2,892,072
Closing cash and cash equivalents	**17,904,148**	4,223,472

See accompanying notes to the consolidated financial statements.

Thunder Bay Catholic District School Board Statement 4
Consolidated Statement of Change in Net Debt

Year ended August 31	**2018**	**2018**	2017
	Budget	**Actual**	Actual
	$	$	$
	[note 1[l]]		
Annual surplus (deficit)	**(398,997)**	**(958,592)**	656,146
TANGIBLE CAPITAL ASSET ACTIVITIES			
Acquisition of tangible capital assets	**(7,860,835)**	**(12,861,064)**	(9,627,825)
Amortization of tangible capital assets	**6,074,361**	**5,316,800**	4,736,564
Total tangible capital asset activities	**(1,786,474)**	**(7,544,264)**	(4,891,261)
OTHER NON-FINANCIAL ASSET ACTIVITIES			
Acquisition of prepaid expenses	**—**	**(124,085)**	(1,772,389)
Use of prepaid expenses	**—**	**1,772,389**	51,051
Total other non-financial asset activities	**—**	**1,648,304**	(1,721,338)
Decrease in net debt	**(2,185,471)**	**(6,854,552)**	(5,956,453)
Net debt, beginning of year	**—**	**(60,644,648)**	(54,688,195)
Net debt, end of year	**(2,185,471)**	**(67,499,200)**	(60,644,648)

See accompanying notes to the consolidated financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

[a] Basis of accounting

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the Consolidated Statement of Operations and Accumulated Surplus 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:

- 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 Surplus 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 Thunder Bay Catholic District School Board ("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:

Awards Trust Fund
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 are not included in the consolidated financial statements as they are not controlled by the Board.

[d] Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits 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] 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 contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- 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: OSSTF-EW, OECTA, OCEW and non-unionized employees including principals and vice-principals. These benefits include pension, life insurance, 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, the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: OSSTF-EW and OECTA. The following ELHTs were established in 2017-2018: OCEW and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals 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 principals and vice-principals effective April 1, 2018 and OCEW and non-unionized employees effective June 1, 2018; OECTA effective November 1, 2016, and OSSTF-EW effective November 1, 2016. Upon transition of the employee group's health, dental and life benefits plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

Subsequent to year-end on November 1, 2018, UNIFOR established an Employee Life and Health Trust and the Board is no longer responsible to provide that group with certain benefits. The Board continues to have a liability for payment of benefits for those who are on long-term disability and for some retirees who are retired under these plans.

The Board has adopted the following policies with respect to accounting for these employee benefits:

[i] The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health and dental care cost trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities were 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 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.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

[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.

[i] Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, 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:

Buildings and building improvements	40 years
Computer hardware	5 years
Computer software	5 years
Equipment	5 to 15 years
First-time equipping of schools	10 years
Furniture	10 years
Land improvements with finite lives	15 years
Leasehold improvements	over the lease term
Other buildings	20 years
Portable structures	20 years
Vehicles	5 to 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 estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings 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 any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (“DCC”) and recognized as revenue in the Consolidated Statement of Operations and Accumulated Surplus at the same rate and over the same periods as the asset is amortized.

[k] Investment income

Investment income is reported as revenue in the period earned.

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

[l] 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.

[m] Use of estimates

The preparation of consolidated 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. Accounts subject to significant estimates include employee future benefits and tangible capital assets (useful lives). Actual results could differ from these estimates.

[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 Provincial Legislative Grants.

2. INVESTMENTS

Investments consist of Guaranteed Investment Certificates. The Guaranteed Investment Certificates mature 2018 - 2019 and bear interest at rates of 1.6% - 1.8%.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO

The Province of Ontario (“Province”) 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 accounts receivable.

The Board has a balance receivable from the Province of Ontario of $25,709,817 as at August 31, 2018 [2017 - $25,669,816] with respect to capital grants.

4. SHORT-TERM BORROWING

The Board has lines of credit available to the maximum of $8,025,000 to address operating requirements and/or to bridge capital expenditures.

Interest on the operating facilities equal the bank's prime lending rate. All loans under the operating facility are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdrafts.

As at August 31, 2018, the amount drawn under the operating facility was $nil [2017 - $nil].

5. LONG-TERM DEBT

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

	2018 $	2017 $
Ontario Financing Authority		
Debenture payable in fifty semi-annual instalments of $164,151 for principal and interest at 4.56% per annum, maturing November 15, 2031.	**3,282,556**	3,455,247
Debenture payable in fifty semi-annual instalments of $477,760 for principal and interest at 4.90% per annum, maturing March 3, 2033.	**9,972,970**	10,423,202
Debenture payable in fifty semi-annual instalments of $141,222 for principal and interest at 5.062% per annum, maturing March 13, 2034.	**3,049,925**	3,173,279
Debenture payable in thirty semi-annual instalments of $88,450 for principal and interest at 4.337% per annum, maturing November 15, 2024.	**992,708**	1,122,324
Debenture payable in fifty semi-annual instalments of $90,496 for principal and interest at 5.232% per annum, maturing April 13, 2035.	**2,014,766**	2,087,480
Debenture payable in fifty semi-annual instalments of $16,631 for principal and interest at 4.833% per annum, maturing March 11, 2036.	**394,373**	408,076
	19,707,298	20,669,608

Principal payments relating to long-term debt of $19,707,298, outstanding as at August 31, 2018, are due as follows:

	Principal $	**Interest** $	**Total** $
2018	1,009,135	948,286	1,957,421
2019	1,058,246	899,175	1,957,421
2020	1,109,754	847,667	1,957,421
2021	1,163,777	793,644	1,957,421
2022	1,220,438	736,983	1,957,421
Thereafter	14,145,948	4,428,973	18,574,921
	19,707,298	8,654,728	28,362,026

6. CAPITAL LEASE OBLIGATIONS

Effective September 1, 2014, the Board entered into a five-year financing agreement to purchase computers with the Royal Bank.

The following schedule reflects the future minimum lease payments required for the next two years for both the Apple and Royal Bank leases:

	$
2018/19	**148,170**
Add amounts representing interest	**370**
	148,540

7. DEBT CHARGES AND CAPITAL LOANS AND LEASES INTEREST

Total payments for the year for long-term debt and capital lease obligations were:

	2018 $	2017 $
Principal payments	**1,132,257**	1,057,558
Interest payments	**999,498**	1,048,400
	2,131,755	2,105,958

8. DEFERRED REVENUE

Revenues received 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 August 31, 2018 is comprised of:

	Balance as at August 31, 2017 $	**Externally restricted revenue and investment income $**	**Revenue recognized in period $**	**Transfers to deferred capital contributions $**	**Balance as at August 31, 2018 $**
Mental Health Leader	—	**123,113**	**123,113**	**—**	**—**
Internal audit	509,198	**376,396**	**352,915**	**—**	**532,679**
Awards Trust	369,195	**30,678**	**—**	**—**	**399,873**
EPO Grant	461,221	**1,938,114**	**2,015,958**	**76,292**	**307,085**
Proceeds on disposition	304,910	**—**	**—**	**—**	**304,910**
School Board and other	104,890	**173,089**	**197,739**	**—**	**80,240**
Special Education	—	**14,883,034**	**14,883,034**	**—**	**—**
SEA Funding	—	**279,778**	**279,778**	**—**	**—**
School renewal	99,760	**1,675,981**	**396,888**	**1,326,581**	**52,272**
Ontario Youth Apprenticeship program	—	**101,210**	**101,210**	**—**	**—**
Temporary accommodation	54,013	**107,000**	**161,013**	**—**	**—**
CODE technology	52,787	**62,333**	**534**	**114,586**	
NSI – Banker Board	—	**1,600,000**	**898,234**	**—**	**701,766**
	1,955,974	**21,350,726**	**19,410,416**	**1,517,459**	**2,378,825**

9. DEFERRED CAPITAL CONTRIBUTIONS

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

	2018 $	2017 $
Opening balance	**74,820,789**	71,489,154
Additions to deferred capital contributions	**12,859,826**	7,782,101
Revenue recognized in the period	**(4,934,358)**	(4,450,466)
	82,746,257	74,820,789

10. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefits Liabilities

	2018			2017
	Retirement Gratuity Benefits	**Other Employee Future Benefits**	**Total Employee Future Benefits**	Total Employee Future Benefits
	$	$	$	$
Accrued employee future benefit obligations	**2,377,865**	**1,275,918**	**3,653,783**	4,081,832
Unamortized actuarial gain (loss)	**(293,550)**	**67,841**	**(225,709)**	(320,927)
Employee future benefits liability	**2,084,315**	**1,343,759**	**3,428,074**	3,760,905

Retirement and Other Employee Future Benefits Expenses

	2018			2017
	Retirement Gratuity Benefits	**Other Employee Future Benefits**	**Total Employee Future Benefits**	Total Employee Future Benefits
	$	$	$	$
Current year benefit cost	**—**	**412,373**	**412,373**	(313,704)
Interest on accrued benefit obligation	**67,834**	**28,627**	**96,461**	92,380
Gain/Correction	**—**	**—**	—	—
Recognition of unamortized actuarial gain (loss) on plan amendments	**49,891**	**(12,823)**	**37,068**	57,466
Employee future benefits expenses*	**117,725**	**428,177**	**545,902**	(163,858)
Benefit payments	**(610,058)**	**(268,675)**	**(878,733)**	(656,823)
Change in liability	**(492,333)**	**159,502**	**(332,831)**	(820,681)

Retirement gratuity benefits are being amortized over the Employee Average Remaining Service Life (EARSL) which has been determined to be 7.5 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, 2018 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2018. These actuarial valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018 **%**	2017 %
Inflation	**1.5**	1.5
Wage and salary escalation	**—**	—
Health care cost escalation (declining each year)	**7.75**	8.0
Dental care cost escalation (declining each year)	**3.75**	4.0
Discount on accrued benefit obligations	**2.90**	2.55

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, the Board contributed $1,319,466 [2017 - $1,315,518] 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.

Provisions and interest credits totalling $1,969,259 [2017 - $2,438,130] have been restricted for settlement of retirement gratuities by Board motion and form part of Accumulated Surplus.

[iv] Retirement Life Insurance and Health Care Benefits

The Board provides 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’s experience and retirees’ premiums may be 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. Until August 31, 2015, employees retiring on or after August 31, 2013 no longer qualified for Board subsidized premiums or contributions. With effect from August 31, 2015, the Board reinstated health and dental post-retirement benefits for certain active employees at August 31, 2015, along with certain retirees that retired after August 31, 2013.

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. School Boards are required to provide salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

The Board has restricted $512,000 [2017 - $512,000] by motion to assist with financing future claims and the insurance deductible on any catastrophic claims.

[ii] Long-Term Disability Benefits

The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date to employees who are not yet members of an ELHT. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

[iii] Sick Leave Top-Up Benefits

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit cost expensed in the Consolidated Statement of Operations and Accumulated Surplus is $61,070 [2017 - $62,024].

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

[iv] Life Insurance Benefits

The Board provides a separate life insurance benefits plan for certain retirees. The premiums are based on the Board experience or the rate for active employees. Depending on the year in which a retiree has retired and the board’s prior arrangements, retiree’s premiums could be subsidized by the Board. The benefit costs and liabilities related to the subsidization of these retirees under the group plan are included in the Board’s consolidated financial statements.

[v] Health Care and Dental Benefits

The Board sponsors a separate plan for certain retirees to provide group health care and dental benefits. The premiums are based on the Board's experience or the rate for active employees. Depending on the year in which a retiree has retired and the Board's prior arrangements, retirees' premiums could be subsidized by the Board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements

11. EXPENSES BY OBJECT

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

	2018 Budget $	**2018 Actual** $	2017 Actual $
	[note 1[l]]		
Expenses			
Salaries and wages	**75,022,100**	**76,563,123**	73,865,925
Employee benefits	**11,872,200**	**11,778,258**	10,312,508
Staff development	**580,900**	**709,036**	423,493
Supplies and services	**7,072,000**	**8,497,089**	8,434,085
Interest	**1,005,613**	**986,057**	1,035,107
Rental	**50,000**	**50,189**	50,421
Fees and contracted services	**7,590,900**	**8,604,442**	6,978,245
Other	**576,709**	**1,550,484**	596,777
School Generated Funds	**1,645,700**	**1,916,808**	1,542,271
Amortization of tangible capital assets	**6,074,361**	**5,316,800**	4,736,564
	111,490,483	**115,972,286**	107,975,396

12. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value	
	Balance September 1, 2017 $	**Additions and Transfers** $	**Disposals and Write-downs** $	**Balance August 31, 2018** $	Balance September 1, 2017 $	**Amortization** $	**Disposals and Write-downs** $	**Balance August 31, 2018** $	**August 31, 2018** $	August 31, 2017 $
Land	398,507	**—**	**—**	**398,507**	—	**—**	**—**	**—**	**398,507**	398,507
Land improvements	8,028,707	**2,698,947**	**—**	**10,727,654**	1,449,039	**1,139,640**	**—**	**2,588,679**	**8,138,975**	6,579,668
Buildings (40 years)	106,358,350	**11,216,464**	**—**	**117,574,814**	40,375,115	**3,187,109**	**—**	**43,562,224**	**74,012,590**	65,983,235
Leasehold improvements – land	—	**20,370**	**—**	**20,370**	—	**—**	**—**	**—**	**20,370**	—
Leasehold improvements – building	—	**21,761**	**—**	**21,761**	—	**1,088**	**—**	**1,088**	**20,673**	—
Computer hardware	2,559,063	**737,559**	**(361,124)**	**2,935,498**	1,490,300	**549,456**	**(361,124)**	**1,678,632**	**1,256,866**	1,068,763
Computer software	316,711	**—**	**(15,765)**	**300,946**	194,491	**61,766**	**(15,765)**	**240,492**	**60,454**	122,220
Equipment (10 years)	446,834	**224,280**	**(10,182)**	**660,932**	156,133	**52,011**	**(10,182)**	**197,962**	**462,970**	290,701
Equipment (15 years)	69,229	**—**	**—**	**69,229**	62,887	**6,342**	**—**	**69,229**	**—**	6,342
First-time equipping (10 years)	960,386	**96,118**	**(197,481)**	**859,023**	610,361	**90,970**	**(197,481)**	**503,850**	**355,173**	350,025
Furniture (10 years)	67,557	**—**	**(7,807)**	**59,750**	28,809	**6,365**	**(7,807)**	**27,367**	**32,383**	38,748
Portable structures	1,550,081	**—**	**(382,900)**	**1,167,181**	992,887	**65,654**	**(382,900)**	**675,641**	**491,540**	557,194
Vehicles (< 10,000 pounds)	67,909	**—**	**—**	**67,909**	48,258	**7,860**	**—**	**56,118**	**11,791**	19,651
Construction in progress (40 years)	2,367,358	**(2,154,435)**	**—**	**212,923**	—	**—**	**—**	**—**	**212,923**	2,367,358
Capital leased assets	—	**—**	**—**	**—**	—	**—**	**—**	**—**	**—**	—
Other	2,541,992	**—**	**—**	**2,541,992**	2,170,642	**148,539**	**—**	**2,319,181**	**222,811**	371,350
Total	125,732,684	**12,861,064**	**(975,259)**	**137,618,489**	47,578,922	**5,316,800**	**(975,259)**	**51,920,463**	**85,698,026**	78,153,762

[a] Write-down of tangible capital assets -
The write-down of tangible capital assets during the year was $975,259 [2017 - $374,509].

[b] Assets under construction
Assets having a value of $240,523 [2017 - $2,367,358] have not been amortized.
Amortization will commence when the asset is put into service.

13. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018 $	2017 $
Surplus		
Invested in non-depreciable capital assets	**398,507**	398,507
Amounts available for compliance - unappropriated	**622,035**	15,434,643
Amounts restricted for future use by Board motion	**9,873,943**	4,065,595
Amounts restricted for future use on capital	**10,451,765**	2,903,041
Unfunded amounts to be recovered	**(3,518,608)**	(4,021,634)
School Generated Funds	**495,269**	501,351
Total surplus	**18,322,911**	19,281,503

14. 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 liability and unlimited property.

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 experienced. The current five-year term expires December 31, 2021.

15. PARTNERSHIP IN STUDENT TRANSPORATION SERVICES OF THUNDER BAY

The Board has entered into an agreement with the Lakehead District School Board and Conseil scolaire de district catholique 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 of 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.

16. DEFERRED SALARY LEAVE PLAN

A deferred salary leave plan went into effect on September 1, 1982. This plan is to afford teachers an opportunity to take one year's leave without pay through a deferral of salary. The Board establishes trust accounts for each teacher in the plan and deposits earnings regularly into the plan where the money is to accumulate interest until the year of absence. At year-end, the Board held $283,460 [2017 - $407,814] in trust for teachers in the plan.

17. AWARDS TRUST FUND

Included in the Board's consolidated financial statements are the following balances relating to transactions for the Awards Trust Fund:

	2018 $	2017 $
ASSETS		
Cash and cash equivalents	**111,122**	80,704
Accounts receivable	**3,794**	7,027
Investments	**284,957**	281,464
	399,873	369,195
FINANCIAL LIABILITIES AND NET FINANCIAL POSITION		
Deferred revenue – other	**399,873**	369,195
REVENUE		
Other fees and revenue	**124,253**	136,016
EXPENDITURES		
Other expenses	**93,575**	86,391

The amounts received by the Awards Trust Fund are restricted by legislation or agreement and may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred.

18. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received $7,004,085 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.

19. CONTINGENCIES

The Board has been named in a class action lawsuit with multiple plaintiffs and multiple defendants relating to flooding and sewage backup issues experienced by certain residents of the City of Thunder Bay in 2012. The likelihood and amount of settlement is not determinable. The Board's share of settlement, if any, in excess of insurance coverage will be charged to operations in the year judgement is rendered. No provisions have been made in these consolidated financial statements in respect of the action.