

**Huron-Superior Catholic District
School Board
Consolidated Financial Statements
For the year ended August 31, 2018**

Huron-Superior Catholic District School Board
Consolidated Financial Statements
For the year ended August 31, 2018

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Management's Responsibility for the Consolidated Financial Statements

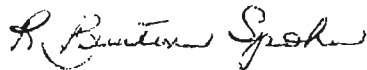
The accompanying consolidated financial statements of the Huron-Superior Catholic District School Board are the responsibility of the Board's management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario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

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

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

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

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



Director of Education


Superintendent of Business

Sault Ste. Marie, Ontario
December 12, 2018



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BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

To the Board Members of Huron-Superior Catholic District School Board

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of Huron-Superior Catholic District School Board 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 describes the basis of accounting used in preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

BDO Canada LLP

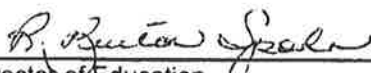
Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
December 12, 2018

Huron-Superior Catholic District School Board

Consolidated Statement of Financial Position

August 31	2018	2017
Financial assets		
Cash and cash equivalents (Note 3)	\$ 86,814	\$ -
Accounts receivable	7,349,738	6,015,792
Accounts receivable - Government of Ontario approved capital (Note 2)	17,066,797	22,508,054
Assets held for sale	791,714	419,302
	<u>25,295,063</u>	<u>28,943,148</u>
Liabilities		
Bank indebtedness (Note 3)	-	6,152,569
Accounts payable and accrued liabilities	5,087,417	4,801,844
Long term debt (Note 4)	13,278,719	13,812,503
Deferred revenue (Note 5)	2,495,914	1,135,316
Deferred capital contributions (Note 6)	102,638,635	103,965,438
Employee future benefits payable (Note 7)	2,078,142	2,173,812
	<u>125,578,827</u>	<u>132,041,482</u>
Net debt	<u>(100,283,764)</u>	<u>(103,098,334)</u>
Non-financial assets		
Tangible capital assets (Note 14)	<u>109,454,884</u>	<u>110,822,099</u>
Accumulated surplus (Note 8)	<u>\$ 9,171,120</u>	<u>\$ 7,723,765</u>


 Director of Education


 Chairperson of the Board

Huron-Superior Catholic District School Board

Consolidated Statement of Operations

For the year ended August 31	Budget 2018	Actual 2018	Actual 2017
Revenue			
Province grants - student focused funding	\$ 67,168,600	\$ 67,324,769	\$ 64,666,130
Province grants - prior year	-	(12,186)	(751,108)
Provincial grants - other	818,950	2,663,463	1,648,357
Federal grants and fees	3,935,794	3,735,528	3,618,662
Other revenues - school boards	1,488,000	1,600,415	1,463,481
Other fees and revenues	450,000	701,231	731,786
Investment income	26,984	14,099	5,998
School fundraising and other revenues	1,719,200	1,933,922	1,839,686
Amortization of deferred capital contributions	4,624,295	5,705,067	4,545,268
	<u>80,231,823</u>	<u>83,666,308</u>	<u>77,768,260</u>
Expenses			
Instruction	56,761,400	56,902,237	55,269,434
Administration	3,619,240	3,327,348	3,042,882
Transportation	5,103,600	5,277,205	4,926,399
Pupil accommodation	12,705,518	13,401,443	11,824,656
Other	240,140	1,404,359	338,131
School funded activities	1,371,300	1,906,361	1,873,294
	<u>79,801,198</u>	<u>82,218,953</u>	<u>77,274,796</u>
Annual surplus	430,625	1,447,355	493,464
Accumulated surplus, beginning of year	<u>8,333,476</u>	<u>7,723,765</u>	<u>7,230,301</u>
Accumulated surplus, end of year	<u>\$ 8,764,101</u>	<u>\$ 9,171,120</u>	<u>\$ 7,723,765</u>

Huron-Superior Catholic District School Board

Consolidated Statement of Change in Net Debt

For the year ended August 31	Budget 2018	2018	2017
Annual surplus	\$ 430,625	\$ 1,447,355	\$ 493,464
Acquisition of tangible capital assets	(11,510,893)	(5,221,961)	(13,858,713)
Amortization of tangible capital assets	4,624,295	4,722,379	4,546,684
Loss on disposal of tangible capital assets	-	995,684	-
Proceeds on sale of tangible capital assets	-	498,700	-
Transfer of assets held for sale	-	372,413	-
Net change in net debt	(6,455,973)	2,814,570	(8,818,565)
Net debt, beginning of year	(103,098,334)	(103,098,334)	(94,279,769)
Net debt, end of year	\$ (109,554,307)	\$ (100,283,764)	\$ (103,098,334)

Huron-Superior Catholic District School Board

Consolidated Statement of Cash Flows

For the year ended August 31

2018

2017

Cash flows from operating activities

Annual surplus	\$ 1,447,355	\$ 493,464
Items not involving cash		
Amortization of tangible capital assets	4,722,379	4,546,684
Amortization of deferred capital contributions	(5,705,067)	(4,545,268)
Loss on sale of tangible capital assets	995,684	-
	<u>1,460,351</u>	<u>494,880</u>
Changes in non-cash operating balances		
Accounts receivable	4,107,311	(6,818,967)
Accounts payable and accrued liabilities	285,573	2,956,563
Deferred revenue	1,360,598	(472,080)
Employee benefits payable	(95,670)	(316,375)
	<u>7,118,163</u>	<u>(4,155,979)</u>

Capital transactions

Proceeds from sale of tangible capital assets	498,700	-
Acquisition of tangible capital assets	(5,221,961)	(13,858,713)
	<u>(4,723,261)</u>	<u>(13,858,713)</u>

Investing and financing activities

Decrease in bank indebtedness	(6,152,569)	5,047,041
Debt principal repayments	(533,783)	(509,185)
Deferred capital contributions received	4,378,264	13,476,836
	<u>(2,308,088)</u>	<u>18,014,692</u>

Increase in cash and cash equivalents during the year

86,814 -

Cash and cash equivalents, beginning of year

- -

Cash and cash equivalents, end of year

\$ 86,814 \$ -

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

1. Summary of significant accounting policies

Nature of Business The principal activity of the Board is to administer the operations of the English catholic elementary and secondary schools in the District of Algoma and three schools in the District of Sudbury.

Basis of Accounting These 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 statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

1. Summary of significant accounting policies (continued)

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

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances 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, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Trust Funds

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

Deferred Capital Contributions

Contributions received or receivable for the purposes 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 purposes
- Other restricted contributions received or receivable for capital purposes
- Property taxation revenues which were historically used to fund capital assets

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.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets, 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.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

1. Summary of significant accounting policies (continued)

Amortization is reflected on a straight-line basis over the estimated useful life of the assets at the following amortization rates:

Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
First-time equipping	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Capital leases - computer hardware over the lease term	

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

**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, 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 boards trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to OECTA (April 1, 2017), CUPE (March 1, 2018), Principals and Vice-Principals (May 1, 2018), and other school board staff (June 1, 2018). Upon transition of the employee groups' 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 Stabilization Adjustment.

Depending on prior arrangements and employee group, the Board provides health, dental and life insurance benefits for retired individuals and 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.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

1. Summary of significant accounting policies (continued)

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 benefits plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. 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 life insurance and health care benefits for retirees and non-vesting accumulating sick leave credits, 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 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 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 pensions, are the employer's contribution 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.

Government Transfers

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

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

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

1. Summary of significant accounting policies (continued)

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.
Budget Figures	Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of 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.
Use of Estimates	The preparation of consolidated financial statements in conformity with the basis of accounting described above 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. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions the Board may undertake in the future. The principal estimates used are the determination of the liability for employee future benefits and the estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.
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. Accounts receivable - Government of Ontario

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

The Board has an account receivable from the Province of Ontario of \$17,066,797 as at August 31, 2018 (2017 - \$22,508,054) with respect to capital grants.

3. Line of credit

The Board has an operating line with the Royal Bank of Canada. The maximum drawings under the terms of the operating line are \$10,000,000. At year end the line of credit was undrawn. The bank indebtedness is a result of overdraft and issued outstanding cheques.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

4. Long term debt

Long term debt reported on the consolidated statement of financial position is comprised of the following:

	<u>2018</u>	<u>2017</u>
Loan payable to Ontario Financing Authority due \$113,679 semi-annually including interest at 4.56% per annum, maturing November 2031	\$ 2,273,256	\$ 2,392,848
Loan payable to Ontario Financing Authority due \$114,513 semi-annually including interest at 4.9% per annum, maturing March 2033	2,390,397	2,498,312
Loan payable to Ontario Financing Authority due \$82,717 semi-annually including interest at 5.062% per annum, maturing March 2034	1,786,409	1,858,660
Loan payable to Ontario Financing Authority due \$175,595 semi-annually including interest at 5.232% per annum, maturing April 2035	3,909,375	4,050,467
Loan payable to Ontario Financing Authority due \$59,640 semi-annually including interest at 3.97% per annum, maturing November 2036	776,327	804,311
Loan payable to Ontario Financing Authority due \$76,344 semi-annually including interest at 4.003% per annum, maturing November 2039	2,142,955	2,207,905
	<u>\$ 13,278,719</u>	<u>\$ 13,812,503</u>

Interest on long term debt amounted to \$651,554 (2017 - \$676,153).

Principal payments relating to long term debt outstanding are due as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 559,583	\$ 625,755	\$ 1,185,338
2019	586,638	598,699	1,185,337
2020	615,013	570,325	1,185,338
2021	644,771	540,567	1,185,338
2022	665,982	508,357	1,174,339
Thereafter	10,206,732	3,189,906	13,396,638
	<u>\$ 13,278,719</u>	<u>\$ 6,033,609</u>	<u>\$ 19,312,328</u>

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

5. 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 August 31, 2018 is comprised of:

	Balance August 31, 2017	Externally restricted revenue received	Revenue recognized in the period	Transfer to deferred capital contributions	Balance August 31, 2018
Restricted operating grants	\$ 167,215	\$ 12,167,198	\$(12,098,756)	\$ -	\$ 235,657
Restricted capital grants	548,799	3,737,995	(2,990,003)	(203,992)	1,092,799
Proceeds of disposition	-	498,700	-	(115,630)	383,070
Assets held for sale	419,302	365,086	-	-	784,388
	\$ 1,135,316	\$ 16,768,979	\$(15,088,759)	\$ (319,622)	\$ 2,495,914

6. Deferred capital contributions

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

	2018	2017
Balance, beginning of year	\$103,965,438	\$ 95,033,870
Additions to deferred capital contributions	4,058,642	12,158,924
Transfers from deferred revenue	319,622	1,317,912
Revenue recognized in the year	(5,705,067)	(4,545,268)
Balance, end of year	\$102,638,635	\$ 103,965,438

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

7. Retirement and other employee future benefits

	2018			2017
Liabilities	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligation at August 31, 2018	\$ 662,622	\$ 1,435,430	\$ 2,098,052	\$ 2,182,527
Unamortized actuarial gains (losses) at August 31, 2018	(19,910)	-	(19,910)	(8,715)
Employee future benefits liability at August 31, 2018 ¹	\$ 642,712	\$ 1,435,430	\$ 2,078,142	\$ 2,173,812

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

	2018			2017
Expenses	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 474,386	\$ 474,386	\$ 316,447
Interest on accrued benefit obligation	20,432	32,863	53,295	46,793
Amortization of estimation adjustment loss (gain)	(53,634)	(6,445)	(60,079)	(34,033)
Employee Future Benefits Expenses ¹	\$ (33,202)	\$ 500,804	\$ 467,602	\$ 329,207

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

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.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

7. Retirement and other employee future benefits (continued)

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 equals the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed \$921,727 (2017 - \$903,895) 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.

At December 31, 2017 OMERS reported an actuarial funding deficit of \$5.4 billion (2016 - \$5.7 billion).

iii) Retirement Gratuities

In certain collective agreements, the Board provides a retirement gratuity plan. 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. During the year ended August 31, 2018, the Board contributed \$nil (2017 - \$76,444) to the plan.

The Board also offers an Early Retirement Incentive Plan to certain groups of qualifying employees. The Board contributions equals the benefit payments. During the year ended August 31, 2018, the Board contributed \$70,000 (2017 - \$95,000) to the plan.

iv) Retirement Allowance Plan

Certain teachers who were hired on or before September 9, 1998 or who elected not to be members of the Retirement Gratuity Plan are eligible for a retirement allowance. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The Board contributions equals the benefit payments. During the year ended August 31, 2018, the Board contributed \$47,049 (2017 - \$95,055) to the plan.

v) Retirement Life Insurance and Health Care Benefits

The Board allows certain retirees to participate in the life insurance, dental and health care benefits after retirement until the members reach 65 years of age. 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 reimbursements from the retirees equals the Board contribution. Effective September 1, 2013, employees retiring on or after this date will no longer qualify for board subsidized premiums or contributions. During the year ended August 31, 2018, the Board contributed \$116,164 (2017 - \$144,187) to the plan.

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 four and a half years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such provision.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

7. Retirement and other employee future benefits (continued)

ii) Sick Leave Top Up Benefits

As a result of the changes made in 2012-2013 to the short term sick leave and disability plan, a maximum of 11 unused sick days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$5,729 (2017 - \$4,399).

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 as at August 31, 2018.

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on actuarial valuations for accounting purposes as at August 31, 2018. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2018</u>	<u>2017</u>
	%	%
Wage and salary escalation	-	-
Dental and health care costs ^{1,2}	3.50 - 7.50	4.00 - 8.00
Discount on accrued benefit obligations	2.90	2.55

- 1 Dental costs trend rates employed are at 3.50% and are reducing by 1/4% in each year to an ultimate rate of increase of 3%
- 2 Health Care trend rates employed are at 7.50% and are reducing by 1/4% in each year to an ultimate rate of increase of 4%

8. Accumulated surplus

Accumulated surplus consists of the following:

	<u>2018</u>	<u>2017</u>
Surplus available for compliance	\$ 3,456,270	\$ 2,213,816
Revenues recognized for land	6,817,444	6,722,830
School generated funds	677,261	649,699
Employee future benefits	(1,779,855)	(1,862,580)
	\$ 9,171,120	\$ 7,723,765

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

9. Expenses by object

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

	2018	2017
Salary and wages	\$ 49,916,760	\$ 49,189,039
Employee benefits	8,840,767	8,266,224
Staff development	835,048	738,544
Supplies and services	5,679,277	5,300,355
Interest	651,554	676,153
Rental expenses	809,689	550,540
Fees and contract services	5,621,332	5,200,781
Other	1,851,111	571,051
Transfer to other boards	388,991	362,131
School funded activities	1,906,361	1,873,294
Amortization	4,722,379	4,546,684
Loss on disposal	995,684	-
	\$ 82,218,953	\$ 77,274,796

10. Ontario School Board Insurance Exchange (OSBIE)

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$27 million per occurrence.

The ultimate premiums over a five-year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro-rata share of claims experience. The current five year term expires December 31, 2021.

11. Transportation Consortium

The Board provides transportation services in partnership with the Algoma District School Board in order to provide common administration of student transportation in the region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities of the Algoma and Huron Superior Transportation Services Consortium 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.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

12. Commitments

The Board has entered into a contract for the construction of a new school. At August 31, 2018 the committed contract totaled \$20,491,455, of which \$18,829,520 has yet to be completed. This project is cost shared, the Board is committed to payment of 44.3% of costs and the Conseil Scolaire Catholique du Nouvel-Ontario to 55.7% of costs.

The Board has entered into operating leases for computer hardware. These leases expire in 2021 and the minimum annual lease payments remaining are:

Year		Amount
2019	\$	399,591
2020		322,431
2021		13,579

13. Contingencies

The Board is subject to ongoing litigation related to grievances, the outcomes of which can not be reasonably determined. Any loss as a result of this litigation will be recorded in the period that the loss is probable and measurable.

Huron-Superior Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2018

14. Tangible capital assets

	Cost		Accumulated Amortization				Net book value August 31, 2018	Net book value August 31, 2017
	Balance at August 31, 2017	Additions and transfers	Disposals	Balance at August 31, 2018	Balance at August 31, 2017	Amortization	Disposals write offs and adjustment	
Land	\$ 6,722,829	\$ 94,614	\$ 20,326	\$ 6,797,117	\$ -	\$ -	\$ -	\$ 6,797,117
Land improvements	4,018,687	345,047	-	4,363,734	969,226	374,190	-	3,020,318
Buildings (40 years)	121,602,443	13,054,578	4,683,006	129,974,015	32,143,236	4,024,876	2,836,535	96,642,438
Portable structures	379,708	-	-	379,708	204,346	18,459	-	156,903
First-time equipping	683,969	206,741	-	890,710	206,097	78,734	-	605,879
Equipment (5 years)	136,507	29,779	-	166,286	95,554	30,277	-	40,455
Equipment (10 years)	89,740	7,689	-	97,429	42,972	9,356	-	45,101
Computer hardware	1,015,050	-	356,242	658,808	680,727	167,387	356,242	166,936
Computer software	10,727	-	-	10,727	7,509	2,145	-	1,073
Vehicles (10 years)	161,864	42,615	27,240	177,239	92,590	16,955	27,240	94,934
Construction in progress	10,442,832	(8,559,102)	-	1,883,730	-	-	-	1,883,730
	\$ 145,264,356	\$ 5,221,961	\$ 5,086,814	\$ 145,399,503	\$ 34,442,257	\$ 4,722,379	\$ 3,220,017	\$ 109,454,884
								\$ 110,822,099

a) Assets under construction

Assets under construction having a value of \$1,883,730 (2017 - \$10,442,832) have not been amortized. Amortization of these assets will commence when the asset is put into service.