

Consolidated Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Year ended August 31, 2018



**I Matter
At DSBN**

DISTRICT SCHOOL BOARD OF NIAGARA

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the District School Board of Niagara are the responsibility of the 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 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 KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Warren Hoshizaki
Director of Education & Secretary

Stacy Veld
Superintendent of Business Services & Treasurer

November 27, 2018



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the District School Board of Niagara

We have audited the accompanying consolidated financial statements of the District School Board of Niagara, which comprise the consolidated statement of financial position as at August 31, 2018, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

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.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the consolidated financial statements of the District School Board of Niagara as at and for the year then 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.

Basis of Accounting

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

KPMG LLP

Chartered Professional Accounts, Licensed Public Accountants

St. Catharines, Canada
November 27, 2018

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Financial Position

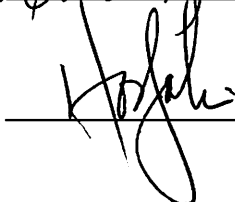
August 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash and cash equivalents	\$ 46,453,140	\$ 35,840,849
Accounts receivable	18,576,205	17,602,339
Accounts receivable – Government of Ontario (note 2)	103,731,800	115,875,735
Investments (note 3)	44,619,775	42,204,559
Assets held for sale (note 4)	258,929	5,441,164
Total financial assets	213,639,849	216,964,646
Financial Liabilities		
Temporary borrowing (note 5)	4,123,483	9,495,616
Accounts payable and accrued liabilities	35,418,056	39,123,979
Deferred revenue (note 6)	34,103,132	30,345,294
Deferred capital contributions (note 7)	364,885,664	361,485,871
Net long-term liabilities (note 8)	95,251,045	99,164,601
Employee future benefits (note 9)	13,063,398	14,002,978
Total financial liabilities	546,844,778	553,618,339
Net debt	(333,204,929)	(336,653,693)
Non-Financial Assets		
Prepaid expenses	482,399	594,370
Tangible capital assets (note 10)	387,809,935	384,433,936
Total non-financial assets	388,292,334	385,028,306
Commitments (note 16)		
Accumulated surplus (note 11)	\$ 55,087,405	\$ 48,374,613

See accompanying notes to financial statements.

On behalf of the Board

 Chair

 Director of Education

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2018, with comparative information for 2017

	Original Budget	2018	2017
Revenue:			
Provincial legislative grants	\$ 412,796,270	\$ 416,136,388	\$ 398,304,201
Provincial grants – other	3,374,610	8,336,442	4,624,956
Government of Canada	-	85,781	88,160
Investment income	1,280,000	1,886,908	1,349,146
Other	3,703,086	8,394,780	5,827,352
School fundraising and other revenue	8,904,210	8,767,876	8,340,369
Amortization of deferred capital contributions	26,857,694	29,362,734	24,118,450
Total revenue	456,915,870	472,970,909	442,652,634
Expenses:			
Instruction	349,712,607	351,326,970	333,711,629
Administration	11,492,376	12,882,559	12,267,461
Transportation	17,953,003	18,319,343	17,891,167
School operation and maintenance	39,770,647	39,309,829	37,882,421
Pupil accommodation	29,709,158	32,711,625	28,322,122
Other	728,318	3,554,687	688,294
School funded activities	8,904,210	8,153,104	8,153,847
Total expenses (note 14)	458,270,319	466,258,117	438,916,941
Annual surplus (deficit)	(1,354,449)	6,712,792	3,735,693
Accumulated surplus, beginning of year	49,949,475	48,374,613	44,638,920
Accumulated surplus, end of year (note 11)	\$ 48,595,026	\$ 55,087,405	\$ 48,374,613

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Change in Net Debt

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	\$ 6,712,792	\$ 3,735,693
Tangible capital assets activity:		
Acquisition of tangible capital assets	(33,177,721)	(56,028,899)
Amortization of tangible capital assets	26,092,910	24,765,274
Gain on sale of tangible capital assets	(96,359)	-
Proceeds on sale of tangible capital assets	96,359	-
Transfer to asset held for sale	258,929	5,441,164
Write-downs of tangible capital assets	3,449,883	-
Other non-financial asset activity:		
Acquisition of prepaid expenses	(376,532)	(594,370)
Use of prepaid expenses	488,503	630,059
Change in net debt	3,448,764	(22,051,079)
Net debt, beginning of year	(336,653,693)	(314,602,614)
Net debt, end of year	\$ (333,204,929)	\$ (336,653,693)

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Cash Flows

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 6,712,792	\$ 3,735,693
Items not involving cash:		
Amortization and write-off of tangible capital assets	29,542,793	24,765,274
Gain on sale of capital assets and assets held for sale	(3,338,722)	(2,457,821)
Change in employee benefits and other liabilities	(939,580)	(2,059,830)
Amortization of deferred capital contributions	(28,791,146)	(24,118,450)
	3,186,137	(135,134)
Change in non-cash assets and liabilities:		
Accounts receivable	(973,866)	2,439,452
Accounts payable and accrued liabilities	(3,705,923)	4,181,280
Deferred revenue	3,757,838	(1,780,649)
Prepaid expenses	111,971	35,689
Net change in cash from operating activities	2,376,157	4,740,638
Capital Activities:		
Proceeds on sale of assets held for sale	8,779,886	3,922,284
Cash used to acquire tangible capital assets	(33,177,721)	(56,028,899)
Net change in cash from capital activities	(24,397,835)	(52,106,615)
Investing Activities:		
Investments	(2,415,216)	(2,204,559)
Net change in cash from investing activities	(2,415,216)	(2,204,559)
Financing Activities:		
Temporary borrowing	(5,372,133)	1,563,168
Long-term debt repaid	(3,913,556)	(3,744,109)
Accounts receivable – Government of Ontario	12,143,935	9,708,828
Deferred capital contributions	32,190,939	47,493,111
Net change in cash from financing activities	35,049,185	55,020,998
Net change in cash	10,612,291	5,450,462
Cash and cash equivalents, beginning of year	35,840,849	30,390,387
Cash and cash equivalents, end of year	\$ 46,453,140	\$ 35,840,849

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies:

The consolidated financial statements of the District School Board of Niagara (the "Board") are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Board are as follows:

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 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.

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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies (continued):

b. Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues, and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities:

School Generated Funds

Proportionately consolidated entities:

Niagara Student Transportation Services

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

c. Trust funds:

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

d. Cash and cash equivalents:

Cash and cash equivalents comprise 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 temporary investments with maturities 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 less an allowance for impairment. These investments are assessed regularly for permanent impairment.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies (continued):

f. Tangible capital assets:

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

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

Asset	Useful Life - Years
Land improvements	15 years
Buildings	40 years
Portable structures	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

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 are classified as assets held for sale and recognized as a financial asset only when the Board has committed to selling the asset, the asset is in a condition to be sold, the asset is publicly seen to be for sale, there is an active market for the asset and there is a plan in place to sell the asset. It must be anticipated that the sale will take place within one year of the date of the financial statements.

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

Donated or contributed assets are capitalized and recorded at their estimated fair value upon acquisition and recognized in deferred capital contributions and amortized to revenue over the estimated useful life.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies (continued):

g. Deferred revenue:

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

h. 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 when the asset has been acquired. 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

i. Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include 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: ETFO and OSSTF. The following ELHTs were established in 2017-2018: CUPE, EWBT 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 ETFO, OSSTF, CUPE, APSSP and non-unionized employees. 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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies (continued):

Depending on prior arrangements and employee groups, 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 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 care costs trends, disability recovery rates, long-term inflation rates and discount rates. For certain employee groups, the cost of retirement gratuities is actuarially determined using the employee's salary, banked sick days, and years of service as at August 31, 2012 and management's best estimate of discount rates. 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 over the periods of service provided by employees, such as retirement gratuities and 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 Employee Retirement System pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

j. 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 and special education forms part of the respective deferred revenue balances.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies (continued):

k. School fundraising and other revenue:

School fundraising and other revenue are reported as revenue in the period earned.

l. Government transfers:

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

Government transfers for capital are included in deferred capital contributions as described in note 1h.

m. Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees on June 26, 2017, is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

n. Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1a requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenses in the periods in which they become known. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these current estimates.

o. Property tax revenue:

Under 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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

2. Accounts receivable – Government of Ontario:

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

The Board has an account receivable from the Province of Ontario of \$103,731,800 as at August 31, 2018 (2017 - \$115,875,735) with respect to capital grants.

3. Investments:

Investments are comprised of:

	Cost	2018 Market	Cost	2017 Market
Long-term investments				
Guaranteed Investment Certificates	\$ 44,619,775	\$ 44,619,775	\$ 42,204,559	\$ 42,204,559
Total investments	\$ 44,619,775	\$ 44,619,775	\$ 42,204,559	\$ 42,204,559

4. Assets held for sale:

As at August 31, 2018, \$258,929 (2017 - \$5,438,789) related to buildings and \$nil (2017 - \$2,375) related to land were recorded as assets held for sale. During the year, net proceeds of \$8,779,886 (2017 - \$3,922,284) were received on the sale of properties included in assets held for sale. The carrying value of the assets comprising this property was \$5,441,164 (2017 - \$1,464,463), resulting in a gain of \$3,338,772 (2017 - \$2,457,821). Proceeds were deferred for future capital assets purchases according to Ontario Regulation 193/10.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

5. Temporary borrowing:

Temporary borrowing reported on the consolidated statement of financial position bear interest at banker's acceptance plus 75 basis points with maximum term of 90 days. Temporary borrowing comprises the following:

	2018	2017
BA note, due September 6, 2018	\$ 1,146,145	\$ -
BA note, due October 10, 2018	1,019,333	-
BA note, due October 18, 2018	950,730	-
BA note, due October 30, 2018	1,007,275	-
BA note, due October 4, 2017	-	2,168,492
BA note, due October 27, 2017	-	2,433,838
BA note, due November 15, 2017	-	2,666,231
BA note, due November 24, 2017	-	2,227,055
Balance, end of year	\$ 4,123,483	\$ 9,495,616

6. 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 as at August 31, 2017	Externally Restricted Revenue	Revenue recognized in the period	Transfers to deterred capital contributions (note 7)	Balance as at August 31, 2018
School renewal	\$ 9,485,041	\$ 23,456,035	\$ 13,188,778	\$ 10,929,081	\$ 8,823,217
Other provincial grants	-	152,943	-	152,943	-
Proceeds of disposition	17,707,919	3,876,416	-	534,339	21,049,996
Legislative grants - operating	1,380,719	55,845,925	55,699,528	-	1,527,116
Other	1,771,615	3,093,297	2,162,109	-	2,702,803
Total deferred revenue	\$ 30,345,294	\$ 86,424,616	\$ 71,050,415	\$ 11,616,363	\$ 34,103,132

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

7. 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	\$ 361,485,871	\$ 338,111,210
Additions to deferred capital contributions	20,574,576	30,467,356
Transfer from deferred revenue (note 6)	11,616,363	17,025,755
Amortization of deferred capital contributions	(28,791,146)	(24,118,450)
Balance, end of year	\$ 364,885,664	\$ 361,485,871

8. Net long-term liabilities:

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

	2018	2017
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 14,276,883	\$ 14,854,311
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	9,605,717	10,039,369
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	18,682,234	19,665,073
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	2,733,670	2,926,771
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	7,718,201	7,996,756
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	4,364,149	4,515,792
Debenture, bearing interest at the rate of 3.564% due March 9, 2037	15,134,259	15,690,930
Debenture, bearing interest at the rate of 3.799% due March 19, 2038	17,036,034	17,602,944
Debenture, bearing interest at the rate of 4.003% due March 19, 2039	5,699,898	5,872,655
Balance, end of year	\$ 95,251,045	\$ 99,164,601

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

8. Net long-term liabilities (continued):

Principal and interest payments relating to net long-term liabilities of \$135,085,773 outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
2019	\$ 4,090,801	\$ 4,139,961	\$ 8,230,762
2020	4,276,207	3,955,732	8,231,939
2021	4,470,156	3,763,015	8,233,171
2022	4,673,048	3,561,413	8,234,461
2023	4,885,302	3,350,510	8,235,812
Thereafter	72,855,531	21,064,097	93,919,628
	\$ 95,251,045	\$ 39,834,728	\$ 135,085,773

9. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2018 Total employee future benefits	2017 Total employee future benefits
Accrued benefit obligation	\$ 8,390,756	\$ 4,980,651	\$ 13,371,407	\$ 14,574,829
Unamortized actuarial loss	(308,009)	-	(308,009)	(571,851)
Balance, end of year	\$ 8,082,747	\$ 4,980,651	\$ 13,063,398	\$ 14,002,978

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2018 Total employee future benefits	2017 Total employee future benefits
Current year benefit costs	\$ 142,180	\$ 1,682,108	\$ 1,824,288	\$ 310,952
Interest on accrued benefit obligation	235,725	111,297	347,022	318,172
Employee future benefits expenses	\$ 377,905	\$ 1,793,405	\$ 2,171,310	\$ 629,124
Total payments made during the year			\$ 3,110,890	\$ 2,688,954

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

9. Employee future benefits (continued):

Included in expenses is \$163,661 (2017 – \$239,786) for amortization of the actuarial loss. The unamortized actuarial gain/loss is amortized over the expected average remaining service life of 3.77 years (2017 – 4.77 years). The amortized actuarial gain arising in the year was \$100,181 (2017 – \$161,027).

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 the 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 and support staff 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, 2018, the Board contributed \$5,145,431 (2017 - \$5,012,199) 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.

The OMERS pension plan had a deficit of \$5.4 billion as at December 31, 2017 (2016 - \$5.7 billion) based on the actuarial valuation of the pension benefit obligation. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

(iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

(iv) Retirement life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to a certain employee group after retirement. The premiums are based on the Board 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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

9. Employee future benefits (continued):

Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act.

The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 requires school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

(ii) Long-term disability life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave to all employees. The Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(iii) Sick leave top-up 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 financial statements are \$278,630 (2017 – \$299,474).

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.

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:

	2018	2017
Inflation	1.50%	1.50%
Wage and salary escalation	nil	nil
Insurance and health care cost escalation	7.75% decreasing by ¼% each year to 4.00%	8.00% decreasing by ¼% each year to 4.00%
Dental cost escalation	3.75% decrease by ¼% each year to 3.00%	4.00% decreasing by ¼% each year to 3.00%
Discount on accrued benefit obligations	2.90%	2.55%

Included in the Board's accumulated surplus as of August 31, 2018, the amount of \$272,449 (2017 - \$547,943) has been internally restricted for these employee future benefit obligations.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

10. Tangible capital assets:

Cost	Balance at August 31, 2017	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2018
Land	\$ 8,734,105	\$ -	\$ -	\$ -	\$ 8,734,105
Land improvements	17,969,092	2,028,983	(42,322)	-	19,955,753
Buildings	625,489,444	10,552,720	3,943,795	(728,452)	639,257,507
Portable structures	3,446,288	540,784	-	-	3,987,072
First-time equipping of schools	5,694,409	221,872	(284,703)	-	5,631,578
Furniture	552,878	601,874	(12,734)	-	1,142,018
Equipment	6,248,431	1,605,978	(1,291,400)	-	6,563,009
Computer hardware	3,291,725	649,329	831,556	-	4,772,610
Computer software	549,476	123,353	(90,815)	-	582,014
Vehicles	2,059,824	154,828	(36,303)	-	2,178,349
Assets under construction	8,544,210	16,698,000	(3,943,795)	-	21,298,415
Total	\$ 682,579,882	\$ 33,177,721	\$ (926,721)	\$ (728,452)	\$ 714,102,430

Accumulated Amortization	Balance at August 31, 2017	Amortization	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2018
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	3,243,826	1,279,482	(42,322)	-	4,480,986
Buildings	284,781,155	21,982,102	3,449,886	(469,523)	309,743,620
Portable structures	1,709,749	207,793	-	-	1,917,542
First-time equipping of schools	2,136,876	566,299	(284,706)	-	2,418,469
Furniture	214,668	84,744	(12,734)	-	286,678
Equipment	2,857,600	603,511	(86,571)	-	3,374,540
Computer hardware	1,537,997	1,047,399	(373,273)	-	2,212,123
Computer software	214,838	113,149	(90,815)	-	237,172
Vehicles	1,449,237	208,431	(36,303)	-	1,621,365
Assets under construction	-	-	-	-	-
Total	\$ 298,145,946	\$ 26,092,910	\$ 2,523,162	\$ (469,523)	\$ 326,292,495

	Net Book Value August 31, 2017	Net Book Value August 31, 2018
Land	\$ 8,734,105	\$ 8,734,105
Land improvements	14,725,266	15,474,767
Buildings	340,708,289	329,513,887
Portable structures	1,736,539	2,069,530
First-time equipping of schools	3,557,533	3,213,109
Furniture	338,210	855,340
Equipment	3,390,831	3,188,469
Computer hardware	1,753,728	2,560,487
Computer software	334,638	344,842
Vehicles	610,587	556,984
Assets under construction	8,544,210	21,298,415
Total	\$ 384,433,936	\$ 387,809,935

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

10. Tangible capital assets (continued):

Assets under construction:

Assets under construction having a value of \$21,298,415 (2017 – \$8,544,210) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$3,449,883 (2017 - \$nil).

Contributed tangible capital assets:

The Board received no contributed tangible capital assets in 2018 or 2017.

Works of arts and historical treasures:

The Board has works of arts and historical treasures including fine arts and archival collections that are preserved by the Board but are not recorded as tangible capital assets.

11. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Internally appropriated	\$ 43,066,623	\$ 43,916,799
Externally appropriated		
Employee future benefits	(1,797,570)	(8,696,987)
Interest to be accrued	(1,229,721)	(1,280,875)
School generated funds	6,313,968	5,699,196
Revenues recognized for land	8,734,105	8,736,480
Balance, end of year	\$ 55,087,405	\$ 48,374,613

12. Debt charges:

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

	2018	2017
Principal payments on long-term liabilities	\$ 3,913,556	\$ 3,744,109
Interest payments on long-term liabilities	4,344,863	4,514,310
	\$ 8,258,419	\$ 8,258,419

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

13. Partnership in Niagara Student Transportation Services:

On March 6, 2007, the Board entered into an agreement with Niagara Catholic District School Board to provide common administration of student transportation services. On March 9, 2007, Niagara Student Transportation Services (“NSTS”) was incorporated under the Corporations Act of Ontario. Each Board participates in the shared costs associated with this service for the transportation of their respective students through NSTS.

This entity is proportionately consolidated in the Board’s consolidated financial statements whereby the Board’s pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board’s consolidated financial statements. The Board’s pro-rata share for 2018 is 66.4% (2017 – 64.4%). Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2018		2017	
	Total	Board portion	Total	Board portion
Financial Position:				
Financial assets	\$ 123,258	\$ 81,843	\$ 15,766	\$ 10,153
Financial liabilities	(129,388)	(85,913)	(25,982)	(16,732)
Non-financial assets	6,130	4,070	10,216	6,579
Accumulated surplus	\$ -	\$ -	\$ -	\$ -
Operations:				
Revenues	\$ 27,663,830	\$ 18,368,783	\$ 26,369,791	\$ 16,982,145
Expenses	27,663,830	18,368,783	26,372,638	16,983,979
Annual deficit	\$ -	\$ -	\$ (2,847)	\$ (1,834)

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

14. Expenses by object:

The following is a summary of the reported on the consolidated statement of operations and accumulated surplus by object:

	2018 Budget	2018 Actual	2017 Actual
Current expenses:			
Salary and wages	\$ 314,288,166	\$ 314,635,298	\$ 303,959,761
Employee benefits	49,181,646	48,159,333	42,501,894
Staff development	1,693,809	1,762,853	1,527,263
Supplies and services	36,995,737	36,967,158	35,974,978
Interest	4,564,694	4,686,285	4,788,808
Rental expenses	31,839	33,394	48,468
Fees and contract services	23,113,111	26,151,031	24,442,154
Other	857,084	3,748,381	908,341
Amortization	27,544,233	30,114,384	24,765,274
	\$ 458,270,319	\$ 466,258,117	\$ 438,916,941

15. Ontario School Board Insurance Exchange (OSBIE):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

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.

16. Commitments:

The Board is committed to pay \$16,929,427 for capital expenditures.

17. Repayment of the "55 School Board Trust" funding:

On June 1, 2003, the Board received \$9,176,721 from the 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. The 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, the 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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2018

18. Litigation and claims:

The Board is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Board believes it has valid defenses. In Administration's judgment, no material exposure exists on the eventual settlement of such litigation, and accordingly, no provision has been made in the accompanying consolidated financial statements.

19. Accounting changes:

On September 1, 2017, the Board adopted the following Canadian public sector accounting standards:

- PS 2200 Related party disclosures, defines a related party and establishes disclosures required for related party transactions
- PS 3420 Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise the reporting entity. This standard provides that inter-entity transactions should generally be recorded at the carrying amount at the transaction date, except in certain circumstances
- PS 3210 Assets, provides guidance for applying the definition of assets in PS 1000, Financial Statement Concepts and establishes general disclosure standards for assets
- PS 3320 Contingent Assets, establishes disclosure standards on contingent assets
- PS 3380 Contractual rights, defines and establishes disclosure standards on rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.

The adoption of these standards did not result in an accounting policy change for the Board and did not result in any adjustments to the financial statements as at September 1, 2017.