

Report and consolidated financial statements of

Halton District School Board

August 31, 2017

Halton District School Board

August 31, 2017

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Management Report

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of the Halton 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 Deloitte LLP, independent external auditors appointed by the Board of Trustees. 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 Services
And Treasurer

Stuart Miller

Lucy Veerman

December 6, 2017

Independent Auditor's Report

To the Trustees of the
Halton District School Board

We have audited the accompanying consolidated financial statements of the Halton District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2017, and the consolidated statements of operations, 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 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 principles 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 the Halton District School Board as at and for the year ended August 31, 2017 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 the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

A handwritten signature in cursive script that reads "Deloitte LLP".

Chartered Professional Accountants
Licensed Public Accountants
December 6, 2017

Halton District School Board

Consolidated statement of financial position as at August 31, 2017

	2017	2016
	\$	\$
Financial assets		
Cash and cash equivalents	86,166,167	73,146,250
Accounts receivable	38,160,009	39,664,238
Accounts receivable - Government of Ontario (Note 2)	295,682,715	294,331,912
	420,008,891	407,142,400
Liabilities		
Accounts payable and accrued liabilities	63,975,297	53,084,959
Other (Note 4)	2,290,984	3,254,469
Net long-term liabilities (Note 5)	274,935,788	284,549,505
Deferred revenue (Note 7)	29,509,571	30,818,283
Employee future benefits payable (Note 9)	26,759,674	28,947,258
Deferred capital contributions (Note 8)	550,502,882	536,976,209
	947,974,196	937,630,683
Net debt	(527,965,305)	(530,488,283)
Non-financial assets		
Prepaid expenses	960,023	1,134,802
Tangible capital assets (Note 10)	749,917,938	723,513,092
	750,877,961	724,647,894
Accumulated surplus (Note 11)	222,912,656	194,159,611

Contractual obligations and contingent liabilities (Note 14)

Approved by the Board

_____ Director of Education

_____ Chair of the Board

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

Halton District School Board

Consolidated statement of operations year ended August 31, 2017

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
Revenue			
Provincial grants - Grants for Student Needs	645,324,504	649,379,073	631,538,265
Provincial grants - other	8,910,514	10,320,745	11,253,962
Investment income	1,250,000	1,325,959	1,224,171
Federal grants	3,353,246	3,431,282	3,102,561
School fundraising and other revenues	19,000,000	21,353,914	18,962,216
Deferred capital contributions - grants recognized	27,089,003	28,547,307	27,934,486
Other fees and revenues	18,520,686	35,390,386	28,252,155
Total revenue	723,447,953	749,748,666	722,267,816
Expenses			
Instruction	562,065,795	560,329,685	534,636,817
Administration	14,850,404	14,753,337	13,709,433
Transportation	15,657,389	15,966,101	15,004,348
Pupil accommodation	102,620,893	103,699,571	101,194,103
Other	2,375,202	5,708,760	7,126,428
School funded activities	19,000,000	20,538,167	18,856,143
Total expenses (Note 12)	716,569,683	720,995,621	690,527,272
Annual surplus	6,878,270	28,753,045	31,740,544
Accumulated surplus, beginning of year	189,199,709	194,159,611	162,419,067
Accumulated surplus, end of year (Note 11)	196,077,979	222,912,656	194,159,611

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

Halton District School Board

Consolidated statement of cash flows year ended August 31, 2017

	2017	2016
	\$	\$
Operating transactions		
Annual surplus	28,753,045	31,740,544
Non-cash items		
Amortization (Note 10)	29,105,902	28,493,141
Deferred capital contributions - grants recognized (Note 8)	(28,547,307)	(27,934,486)
Deferred gain on disposal of restricted assets	-	(8,617,350)
Other liabilities - Contaminated site	-	(60,632)
Net change in non-cash working capital balances		
Accounts receivable	1,504,229	(1,199,057)
Accounts payable and accrued liabilities	10,890,338	3,303,466
Other liabilities	(963,485)	(468,310)
Deferred revenues - operating	48,535	(312,476)
Employee future benefits payable	(2,187,584)	(5,914,279)
Prepaid expenses	174,779	260,639
	38,778,452	19,291,200
Capital transactions		
Proceeds on sale of tangible capital assets	-	8,713,724
Acquisition of tangible capital assets (Note 10)	(55,510,748)	(30,789,584)
	(55,510,748)	(22,075,860)
Financing transactions		
Principal repayments on long-term liabilities (Note 6)	(11,048,158)	(10,545,218)
Net long-term liabilities issued	1,434,441	169,204
Additions to deferred capital contributions (Note 8)	42,073,980	23,559,839
(Decrease) increase in deferred revenues - capital	(1,357,247)	6,478,197
(Increase) decrease in accounts receivable - Government of Ontario	(1,350,803)	18,984,304
	29,752,213	38,646,326
Increase in cash and cash equivalents	13,019,917	35,861,666
Cash and cash equivalents, beginning of year	73,146,250	37,284,584
Cash and cash equivalents, end of year	86,166,167	73,146,250

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

Halton District School Board

Consolidated statement of change in net debt year ended August 31, 2017

	2017	2016
	\$	\$
Annual surplus	28,753,045	31,740,544
Tangible capital asset activity		
Acquisition of tangible capital assets (Note 10)	(55,510,748)	(30,789,584)
Sale of asset - net	-	96,374
Amortization of tangible capital assets (Note 10)	29,105,902	28,493,141
	(26,404,846)	(2,200,069)
Other non-financial asset activity		
Acquisition of prepaid expenses	(1,100,202)	(1,181,014)
Use of prepaids	1,274,981	1,441,653
	174,779	260,639
Decrease in net debt	2,522,978	29,801,114
Net debt, beginning of year	(530,488,283)	(560,289,397)
Net debt, end of year	(527,965,305)	(530,488,283)

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

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies

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

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 require that:

- government transfers, including amounts previously recognized as tax revenue, 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 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 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, including the following:

- Fast Track Community Centre for Skills Development and Training ("The Centre"); and
- Halton Student Transportation Services ("HSTS").

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

Reporting entity (continued)

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.

All material inter-departmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

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.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits.

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:

Asset	Estimated useful life in years
Land improvements with finite lives	15
Buildings	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Leasehold improvements - The Centre	10

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.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

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.

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, is recognized as deferred capital contributions (DCC) as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

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

Retirement and other future benefits

The Board provides defined retirement, post retirement and workers' safety insurance benefits to specified employee groups. These benefits include pension, retirement gratuity, health and dental, workers' safety insurance benefits, carry-over sick leave and long term disability benefits.

a) Employee Life and Health Trusts

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: Elementary Teachers' Federation of Ontario (ETFO), Elementary Teachers' Federation of Ontario Education Workers (ETFO-EW), Ontario Secondary School Teachers' Federation (OSSTF), Ontario Secondary School Teachers' Federation Education Workers (OSSTF-EW), Education Workers' Alliance of Ontario (EWAO), Canadian Union of Public Employees (CUPE) and Education Council of Associations for Benefits (ECAB). The ELHTs provide health, life and dental benefits to teachers, education workers and other school board staff and retired individuals starting with a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting November 1, 2016, the Board is no longer responsible to provide certain benefits to ETFO, OSSTF, OCTU (under OSSTF-EW), PSSP (under OSSTF-EW) and DECE (under ETFO-EW). Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. The remaining employee groups will complete transition into ELHTs by February 1, 2018.

Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups: CUPE, Halton District Educational Assistants' Association (HDEAA), Principals and Vice-Principals and other non Union employee groups that have not yet transferred into an ELHT, and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

Retirement and other future benefits (continued)

b) Retirement gratuity plan, sick leave plan, and post-retirement health and dental plan

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and post-retirement health and dental plan. 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 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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities were actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as post-retirement health and dental benefits, the cost is actuarially determined using the projected benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the post-retirement health and dental plan resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change were recognized as at August 31, 2012.

For those self-insured benefit obligations that arise from specific events that occur periodically, such as obligations for workers' compensation, 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 benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

Government transfers

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

Government transfers for capital 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.

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 form part of the respective deferred revenue balances.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

1. Significant accounting policies (continued)

Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees of the Halton District School Board. The budget 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. Also included is the approved budget for the Fast Track Centre for Skills Development and Training. Budget figures in the consolidated statement of change in net debt have not been provided.

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 grants - Grants for Student Needs.

Use of estimates

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

2. Accounts receivable - Government of Ontario

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Halton District School Board received a one-time grant that recognized 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 be entitled to yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Government of Ontario of \$295,682,715 (2016 - \$294,331,912) with respect to capital grants.

3. Temporary borrowing

The Board's banking resolutions allow aggregate borrowings to the maximum of \$135 million. The Board has credit facilities available to the maximum of \$85 million with a Canadian chartered bank to address operating requirements, bridge capital expenditures and education development charges outstanding. As at August 31, 2017, the amount drawn was \$Nil (2016- \$Nil).

4. Other liabilities

In the prior year, a liability for contaminated sites was recorded for the estimated cost to remediate soil and ground water contamination resulting from the replacement of a fuel oil underground storage tank in a Board site that is not in productive use. The estimated liability of \$139,244 as at August 31, 2016 for remediation costs was provided by a third party geo-environmental consultant. During 2016-17, site remediation was completed and no liability has been recorded as at August 31, 2017.

Other liabilities also includes the Group Life Premium Stabilization Fund amounting to \$2,290,984 (2016 - \$3,115,225).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

5. Net long-term liabilities

Net long-term liabilities on the consolidated statement of financial position is comprised of Ontario Financing Authority (OFA) and Ontario School Boards Financing Corporation (OSBFC) debentures as follows:

	2017	2016
	\$	\$
Debentures		
OSBFC, Series 2003-A2, 5.800%, maturing November 2028	17,848,021	18,914,529
OSBFC, Series 2004-A1, 5.483%, maturing November 2029	26,846,581	28,309,501
OSBFC, Series 2005-A1, 4.789%, maturing August 2030	7,981,717	8,415,720
OFA, Bylaw 06090, 4.560%, maturing November 2031	14,370,493	15,057,051
OFA, Bylaw 08012, 4.900%, maturing March 2033	29,469,287	30,682,062
OFA, Bylaw 09037, 5.062%, maturing March 2034	973,300	1,009,290
OFA, Bylaw 09036, 5.062%, maturing March 2034	5,264,591	5,459,261
OFA, Bylaw 09125, 5.384%, maturing May 2034	8,099,377	8,384,960
OFA, Bylaw 10052, 5.232%, maturing May 2035	10,986,576	11,350,014
OFA, Bylaw 10107, 4.947%, maturing May 2035	17,385,633	17,973,703
OFA, Bylaw 11034, 4.833%, maturing March 2035	16,981,530	17,525,190
OFA, Bylaw 11155, 3.970%, maturing November 2036	13,812,344	14,274,390
OFA, Bylaw 12024, 3.564%, maturing March 2037	17,120,174	17,706,469
OFA, Bylaw 13030, 3.799%, maturing March 2038	44,496,147	45,876,235
OFA, Bylaw 13120, 4.037%, maturing October 2028	14,292,497	15,256,349
OFA, Bylaw 14025, 4.003%, maturing March 2039	26,243,339	26,985,342
OFA, Bylaw 15010, 2.993%, maturing March 9, 2040	1,165,061	1,200,235
OFA, Bylaw 16024, 3.242%, maturing March 15, 2041	164,679	169,204
OFA, Bylaw 17020, 3.594%, maturing March 14, 2042	1,434,441	-
Net long-term liabilities	274,935,788	284,549,505

Of the net long-term liabilities outstanding of \$274,935,788, principal plus interest payable over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
	\$	\$	\$
2017/18	11,607,432	12,430,244	24,037,676
2018/19	12,156,748	11,880,928	24,037,676
2019/20	12,732,677	11,304,999	24,037,676
2020/21	13,336,535	10,701,141	24,037,676
2021/22	13,969,707	10,067,969	24,037,676
Total	63,803,099	56,385,281	120,188,380
Thereafter	211,132,689	65,896,867	277,029,556
Net long-term liabilities	274,935,788	122,282,148	397,217,936

Interest payments on long-term liabilities amounted to \$12,791,049 (2016 - \$13,134,534) (Note 6).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

6. Debt charges and capital loan interest

Debt charges and capital loan interest includes principal and interest payments as follows:

	2017	2016
	\$	\$
Principal payments on long-term liabilities	11,048,158	10,545,218
Interest payments on long-term liabilities (Note 5)	12,791,049	13,134,534
Interest payments on temporary financing of capital projects	119,147	114,869
	23,958,354	23,794,621

7. 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, 2017 is comprised of:

	Balance as at August 31, 2016	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2017
	\$	\$	\$	\$	\$
Renewable energy - capital	142,793	-	-	-	142,793
School renewal	4,848,737	9,772,373	2,704,017	5,454,107	6,462,986
Special education	2,930,021	88,768,987	88,990,121	-	2,708,887
Legislative grants	1,818,816	32,188,798	30,692,288	1,647,967	1,667,359
Other Provincial grants	100,687	1,757,464	1,628,785	-	229,366
Other Ministry of Education grants	14,964	3,675,872	3,505,013	-	185,823
Education development charges	-	23,325,014	23,325,014	-	-
Other third party	454,797	4,509,079	3,948,342	590,606	424,928
Proceeds of disposition	20,507,468	(1,161)	-	2,818,878	17,687,429
Total deferred revenue	30,818,283	163,996,426	154,793,580	10,511,558	29,509,571

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

8. Deferred capital contributions

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

	2017	2016
	\$	\$
Balance, beginning of year	536,976,209	541,350,856
Net additions to deferred capital contributions	42,073,980	23,559,839
Deferred capital contributions - grants recognized	(28,547,307)	(27,934,486)
Balance, end of year	550,502,882	536,976,209

9. Retirement and other employee future benefits

	Retirement gratuities	Post retirement benefits	Workers' safety insurance board	Sick leave top-up benefits	Long-term disability plans	Total employee future benefits	2017	2016
	\$	\$	\$	\$	\$	\$	Total employee future benefits	Total employee future benefits
Accrued employee future benefit obligations	21,778,620	203,857	5,974,868	393,364	68,471	28,419,180	31,531,260	
Unamortized actuarial (losses)	(1,659,506)	-	-	-	-	(1,659,506)	(2,584,002)	
Employee future benefits liability	20,119,114	203,857	5,974,868	393,364	68,471	26,759,674	28,947,258	

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$4,615,211 at August 31, 2017 (2016 - \$5,748,211).

	Retirement gratuities	Post retirement benefits	Workers' safety insurance board	Sick leave top-up benefits	Long-term disability plans	Total employee future benefits	2017	2016
	\$	\$	\$	\$	\$	\$	Total employee future benefits	Total employee future benefits
Recognition of unamortized actuarial (gains) losses	374,627	(1,333)	-	118,460	-	491,754	183,600	
Current year benefit cost	-	-	1,746,505	393,363	(234,168)	1,905,700	1,703,580	
Gain on plan amendments	-	38,875	-	-	-	38,875	(889,121)	
Interest on accrued benefit obligation	483,881	4,223	113,537	-	4,381	606,022	843,179	
Employee future benefits expense	858,508	41,765	1,860,042	511,823	(229,787)	3,042,351	1,841,238	

Above amounts exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

9. Retirement and other employee future benefits (continued)

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2017 are based on actuarial valuations completed for accounting purposes as at August 31, 2017. These actuarial valuations take into account any plan changes and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2017	2016
	%	%
Inflation		
Retirement gratuities	1.50	1.50
Healthcare cost escalation		
Dental	4.00	4.25
Health	8.00	8.25
Discount on accrued benefit obligation		
Retirement gratuities	2.55	2.05
Post-retirement benefits	2.55	2.05

Ontario Teachers' 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.

During the year ended August 31, 2017, the employee contributions to this plan were \$45,668,244 (2016 - \$44,376,271).

Ontario Municipal Employees Retirement System

All permanent non-teaching employees of the Board are eligible to be members of 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 ending August 31, 2017, the Board contributed \$8,123,745 (2016 - \$8,099,630) 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, as these obligations are a direct responsibility of OMERS.

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. As a result of the 2012 plan change, 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. Retirement gratuities expensed amounted to \$858,508 (2016 - \$3,842).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

9. Retirement and other employee future benefits (continued)

Post-retirement benefits

The Board continues to provide post-retirement health and dental benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, no longer qualify for board subsidized premiums or contributions.

Other employee future benefits

Workers' Safety Insurance Board

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

Occurrences between \$1,000,000 and \$25,000,000 are insured under third party insurance coverage. The Board participates in the Workers' Compensation Assistance Program with the School Boards' Co-operative Inc. (SBCI). For an annual fee, this program provides funds to Participating Members that incur claim costs on any workers' compensation incident between \$500,000 and \$1,000,000. The Board is self-insured for all other occurrences. 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 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreements negotiated prior to 2012 included such provisions.

As of August 31, 2017, these obligations, as actuarially determined, amounted to \$5,974,868 (2016 - \$5,215,485) and are included in Employee Future Benefits Payable. The change in this amount from the previous year has been reflected in the statement of operations.

Long-term disability benefits

The Board provides long-term disability benefits including payment of life insurance premiums and health care benefits to employees who are not yet members of an ELHT, during the period an employee is unable to work. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

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 accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2017. This actuarial valuation is based on assumptions about future events.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

10. Tangible capital assets

	Balance at August 31, 2016	Additions and betterments	Disposals	Transfer to/from construction in progress	Cost August 31, 2017
	\$	\$	\$	\$	\$
Halton District School Board					
Land	177,135,490	13,395,691	-	11,626	190,542,807
Land improvements	32,769,287	2,961,889	-	-	35,731,176
Buildings (40 yrs)	712,249,543	33,547,094	-	4,187,774	749,984,411
Other Buildings	112,268	-	-	-	112,268
Portable structures	9,054,193	-	-	-	9,054,193
Construction in progress	4,187,774	1,845,400	-	(4,187,774)	1,845,400
Pre-acquisition costs - land	83,020	151,872	-	(11,626)	223,266
Pre-acquisition costs - building	1,124,600	1,129,302	-	-	2,253,902
Equipment (5 years)	188,185	58,660	58,134	-	188,711
Equipment (10 years)	3,936,182	246,150	-	-	4,182,332
Equipment (15 years)	1,327,757	147,013	-	-	1,474,770
First time equipping	14,254,778	318,602	-	-	14,573,380
Furniture	478,486	108,683	-	-	587,169
Computer hardware	6,824,753	1,172,892	928,976	-	7,068,669
Computer software	1,752,085	55,619	334,222	-	1,473,482
	965,478,401	55,138,867	1,321,332	-	1,019,295,936
The Centre					
Computers	30,114	-	-	-	30,114
Leasehold improvements	933,541	371,881	-	-	1,305,422
Equipment and furniture	907,667	-	-	-	907,667
	1,871,322	371,881	-	-	2,243,203
Total	967,349,723	55,510,748	1,321,332	-	1,021,539,139

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

10. Tangible capital assets (continued)

	Balance at August 31, 2016	Amortization and write-offs and adjustments	Disposals	Transfer to assets held for sale	Accumulated	Net book value	
					Balance at August 31, 2017	2017	2016
	\$	\$	\$	\$	\$	\$	\$
Halton District School Board							
Land	-	-	-	-	-	190,542,807	177,135,490
Land improvements	10,371,087	2,318,392	-	-	12,689,479	23,041,697	22,398,200
Buildings (40 yrs)	213,043,999	22,523,213	-	-	235,567,212	514,417,200	499,205,544
Other Buildings	14,033	5,613	-	-	19,646	92,622	98,235
Portable structures	5,849,828	462,981	-	-	6,312,809	2,741,384	3,204,365
Construction in progress (a)	-	-	-	-	-	1,845,399	4,187,774
Pre-acquisition costs - land (a)	-	-	-	-	-	223,266	83,020
Pre-acquisition costs - building (a)	-	-	-	-	-	2,253,902	1,124,600
Equipment (5 years)	113,926	37,689	58,134	-	93,481	95,230	74,259
Equipment (10 years)	1,352,509	402,332	-	-	1,754,841	2,427,491	2,583,673
Equipment (15 years)	175,030	84,695	-	-	259,725	1,215,045	1,152,727
First time equipping	6,576,348	1,437,965	-	-	8,014,313	6,559,067	7,678,430
Furniture	215,636	53,283	-	-	268,919	318,250	262,850
Computer hardware	3,575,088	1,389,342	928,976	-	4,035,454	3,033,215	3,249,665
Computer software	817,122	322,556	334,222	-	805,456	668,026	934,963
	242,104,606	29,038,061	1,321,332	-	269,821,335	749,474,601	723,373,795
The Centre							
Computers	20,912	9,202	-	-	30,114	-	9,202
Leasehold improvements	803,446	58,639	-	-	862,085	443,337	130,095
Equipment and furniture	907,667	-	-	-	907,667	-	-
	1,732,025	67,841	-	-	1,799,866	443,337	139,297
Total	243,836,631	29,105,902	1,321,332	-	271,621,201	749,917,938	723,513,092

a) Assets under construction

Assets under construction which include construction in progress, pre-acquisition costs – land and pre-acquisition costs – building for a total value of \$4,322,567 (2016 - \$5,395,394) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

11. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
	\$	\$
Non-designated surplus	5,000,000	5,000,000
Amounts internally restricted for future use of the Board		
Retirement gratuities	4,615,211	5,748,211
Fast Track Centre for Skills and Development & Training	1,598,914	1,776,081
Other operating	12,997,451	10,534,757
Accommodation	39,017,224	39,502,059
Committed capital projects and sinking fund interest	8,646,777	9,205,372
	66,875,577	66,766,480
Unavailable for Compliance		
Employee future benefits	(13,776,664)	(18,409,846)
Interest accrual	(3,578,610)	(3,698,011)
	(17,355,274)	(22,107,857)
Revenues recognized for land		
Land (Note 10)	190,542,807	177,135,490
Pre-acquisition costs - land (Note 10)	223,266	83,020
Education development charges outstanding (i)	(28,608,998)	(38,137,054)
	162,157,075	139,081,456
School generated funds	6,235,278	5,419,532
Total accumulated surplus	222,912,656	194,159,611

- i) The Education Act, Part IX, Division E and Ontario Regulation 20/98 (amended by Ontario Regulation 95/02) provide requirements for determining a board's eligibility to impose Education Development Charges ("EDC") on new development, and the calculation of these charges. The accumulated eligible education development charge expenditures may be financed through cash and cash equivalents or temporary borrowing on the consolidated statement of financial position. Interest on education development charges outstanding amounted to \$355,185 (2016 - \$406,372).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

12. Expenses by object

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

	Budget	2017 Actual	2016 Actual
	\$	\$	\$
Salary and wages	478,081,368	476,987,068	459,351,179
Employee benefits	77,070,223	78,287,219	71,399,814
Staff development	4,262,442	5,970,093	4,830,118
Supplies and services	64,128,131	63,003,449	59,287,718
Interest charges on capital	13,658,732	13,265,381	13,655,775
Rental expenses	147,615	121,031	116,132
Fees and contract services	36,624,561	37,002,459	35,023,650
Other	14,897,803	17,253,019	18,369,745
Amortization of tangible capital assets	27,698,808	29,105,902	28,493,141
Total	716,569,683	720,995,621	690,527,272

13. 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 \$24 million per occurrence.

The ultimate premiums over a five year period are based on each member of the reciprocal 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.

14. Contractual obligations and contingent liabilities

- a) The Board has the following annual lease and contract commitments over the next 5 years with respect to furniture, equipment, computer hardware and software, construction, and portables, totaling \$21,592,192.

Fiscal year ending August 31	\$
2018	8,829,627
2019	2,847,812
2020	2,230,578
2021	2,015,225
2022	5,668,950

- b) As of August 31, 2017 the Board had guarantees outstanding of \$1,230,217 (2016 - \$1,230,217) relating to construction projects in progress.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

14. Contractual obligations and contingent liabilities (continued)

- c) In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2017 cannot be predicted with certainty, it is in the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

15. Partnership in Halton Student Transportation Services

Transportation services for the Board are provided by Halton Student Transportation Services ("HSTS") in partnership with Halton Catholic District School Board. Under the agreement created at the time HSTS was established, decisions related to the financial and operating activities of HSTS are shared. No partner is in a position to exercise unilateral control. Operations of HSTS have been included in these consolidated financial statements based on the share of net financial resources contributed by the Board during the fiscal period being reported.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2017		2016	
	Total	Board portion	Total	Board portion
	\$	\$	\$	\$
Financial position				
Financial assets	71,877	45,714	300,374	196,745
Liabilities	102,151	64,968	323,446	211,857
Non-financial assets	31,034	19,738	23,832	15,610
Accumulated surplus	760	484	760	498
Operations				
Revenues	22,813,652	15,470,334	21,374,800	14,670,704
Expenditures	22,813,652	15,470,334	21,374,800	14,670,704
Annual surplus	-	-	-	-

16. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$7,294,000 from The 55 School Board Trust (the "Trust") for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the Trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed debt of participating boards that 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 not permanently financed debt.

As a result of the above agreement, the liability in respect of the not permanently financed debt is no longer reflected in the Board's financial position.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2017

17. Funds administered by the Board

Trust funds administered by the Board amounting to \$1,397,704 (2016 - \$1,408,184) have not been included in the consolidated financial statements, as they are not controlled by the Board.

	Trust funds	Deferred leave plan	2017 Total	2016 Total
	\$	\$	\$	\$
Opening balance at September 1, 2016	716,169	692,015	1,408,184	1,688,323
Capital received in 2017	4,443	383,156	387,599	347,221
Earnings on investments in 2017	7,270	86	7,356	7,347
	727,882	1,075,257	1,803,139	2,042,891
Disbursements in 2017	28,870	376,565	405,435	634,707
Closing balance at August 31, 2017	699,012	698,692	1,397,704	1,408,184

18. Subsequent events

In October 2017, the Board entered into an agreement with Everstrong Construction for the construction of Milton South West #10 Elementary Public School. The contract value is \$16,758,298. An additional amount of \$2,735,623 has been approved for architect fees, miscellaneous fees and permits, site preparation costs, furniture, equipment and taxes. As of August 31, 2017, expenses of \$629,491 have been incurred.

In October 2017, the Board also entered into an agreement with Snyder Architects Inc., as the architect for the transition of educational programs project into Nelson High School and M.M. Robinson High School.