

Consolidated Financial Statements of

**ALGOMA DISTRICT
SCHOOL BOARD**

And Independent Auditors' Report thereon

Year ended August 31, 2020

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

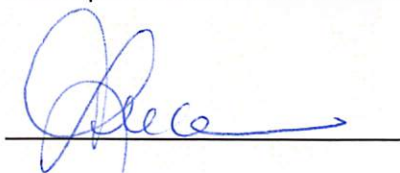
The accompanying consolidated financial statements of the Algoma District School Board are the responsibility of Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11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

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

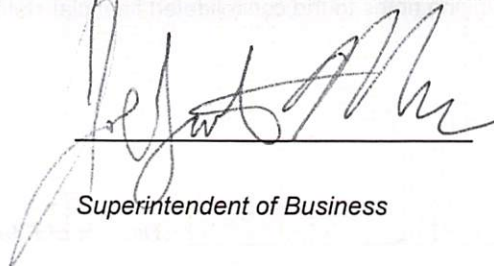
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis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

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



Director of Education



Superintendent of Business

December 10, 2020



KPMG LLP
111 Elgin Street, Suite 200
Sault Ste. Marie ON P6A 6L6
Canada
Telephone (705) 949-5811
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INDEPENDENT AUDITORS' REPORT

To the Trustees of the Algoma District School Board

Opinion

We have audited the consolidated financial statements of Algoma District School Board (the "Board"), which comprise:

- the consolidated statement of financial position as at August 31, 2020
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Board as at August 31, 2020 and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditors' report.

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter- Financial Reporting Framework

We draw attention to Note 1 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



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

Management is responsible for the preparation and fair presentation of the consolidated financial statements 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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
December 10, 2020

ALGOMA DISTRICT SCHOOL BOARD

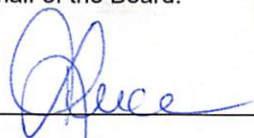
Consolidated Statement of Financial Position

August 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash	\$ 12,474,726	\$ 13,611,897
Accounts receivable - other (note 2)	21,939,716	14,803,839
Accounts receivable - Approved Capital Funding (note 3)	88,153,733	88,185,853
Total financial assets	122,568,175	116,601,589
Financial liabilities		
Accounts payable and accrued liabilities (note 4)	24,474,889	15,538,843
Net long-term liabilities (note 5)	76,281,367	79,728,086
Deferred revenue (note 6)	3,047,252	4,783,802
Deferred capital contributions (note 8)	183,983,599	174,121,695
Employee future benefits liability (note 7)	3,728,490	4,178,100
Total financial liabilities	291,515,597	278,350,526
Net debt	(168,947,422)	(161,748,937)
Non-financial assets		
Prepaid expenses	1,443,469	1,310,431
Tangible capital assets (note 10)	189,794,489	179,639,077
Total non-financial assets	191,237,958	180,949,508
Commitments (note 15)		
Contingent liabilities (note 16)		
Effects of COVID-19 (note 18)		
Accumulated surplus (note 12)	\$ 22,290,536	\$ 19,200,571

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Director of Education



Chair of the Board

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2020, with comparative information for 2019

	2020 Budget	2020 Actual	2019 Actual
Revenues:			
Municipal grants	\$ 19,181,879	\$ 19,155,826	\$ 19,727,755
Government of Ontario grants:			
- Grants for Student Needs	113,585,522	114,572,500	117,158,750
- Other	2,516,707	4,341,770	5,598,281
Amortization of deferred capital contributions	8,508,064	15,003,655	13,416,860
Federal grants and fees	6,625,584	6,856,995	6,903,392
Other revenues - School boards	190,000	188,152	184,609
Other fees and revenues	2,701,742	2,345,952	1,515,084
Investment income	120,000	186,807	215,886
School fundraising and other revenues	3,450,000	2,430,366	3,475,044
Total revenue	156,879,498	165,082,023	168,195,661
Expenses (note 9):			
Instruction	109,476,106	107,102,960	107,013,798
Administration	4,999,801	5,587,710	5,372,212
Transportation	9,294,907	8,764,871	9,063,685
Pupil accommodation	28,415,507	34,649,151	33,141,552
School funded activities	3,620,000	2,211,855	3,607,251
Other	2,516,707	3,675,511	5,438,779
Total expenses	158,323,028	161,992,058	163,637,277
Annual surplus (deficit)	(1,443,530)	3,089,965	4,558,384
Accumulated surplus, beginning of year	19,200,571	19,200,571	14,642,187
Accumulated surplus, end of year	\$ 17,757,041	\$ 22,290,536	\$ 19,200,571

See accompanying notes to the consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 3,089,965	\$ 4,558,384
Tangible capital assets:		
Acquisition of tangible capital assets	(25,474,130)	(20,580,961)
Amortization of tangible capital assets	15,318,718	13,416,860
Proceeds on disposal of tangible capital assets	41,751	248,859
Gain on sale allocated to deferred revenue	(41,751)	(223,613)
	(10,155,412)	(7,138,855)
Prepaid expenses:		
Acquisition of prepaid expenses	(1,443,469)	(1,310,431)
Use of prepaid expenses	1,310,431	793,904
	(133,038)	(516,527)
Increase in net debt	(7,198,485)	(3,096,998)
Net debt, beginning of year	(161,748,937)	(158,651,939)
Net debt, end of year	\$ (168,947,422)	\$ (161,748,937)

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Operating transactions:		
Annual surplus	\$ 3,089,965	\$ 4,558,384
Items not involving cash:		
Amortization of tangible capital assets	15,318,718	13,416,860
Amortization of deferred capital contributions	(15,003,655)	(13,416,860)
Deferred gain on disposal of restricted assets	(41,751)	(223,613)
	3,363,277	4,334,771
Change in non-cash assets and liabilities:		
Increase in accounts receivable - other	(7,135,877)	(9,002,419)
Increase in accounts payable and accrued liabilities	8,936,046	2,741,801
Decrease in deferred revenue	(1,736,550)	(106,310)
Decrease in employee future benefits liability	(449,610)	(354,614)
Increase in prepaid expenses	(133,038)	(516,527)
Cash provided by (applied to) operating transactions	2,844,248	(2,903,298)
Capital transactions:		
Cash used to acquire tangible capital assets	(25,474,130)	(20,580,961)
Proceeds on disposal of tangible capital assets	41,751	248,859
Cash applied to capital transactions	(25,432,379)	(20,332,102)
Financing transactions:		
Debt principal repayments	(3,446,719)	(3,334,700)
Decrease in accounts receivable - Approved Capital Funding	32,120	7,001,642
Net additions to deferred capital contributions	24,865,559	19,122,389
Cash provided by financing transactions	21,450,960	22,789,331
Decrease in cash	(1,137,171)	(446,069)
Cash, beginning of year	13,611,897	14,057,966
Cash, end of year	\$ 12,474,726	\$ 13,611,897

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

The principal activity of the Algoma District School Board (the "Board") is to administer the operations of the English elementary and secondary schools in the District of Algoma.

1. Significant accounting policies:

The consolidated financial statements of the Board have been prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

(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 require that:

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

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

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

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, including:

- (i) 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.
- (ii) The Board is one of two school boards that entered into a partnership agreement to share certain costs related to transportation. As a result, the Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro-rata share of revenue and expenses.

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 they are not controlled by the Board.

(d) 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 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.

(e) 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.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

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.

Leases which transfer substantially all 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, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 years
Buildings	40 years
Portable structures	20 years
Equipment	10 - 15 years
First-time equipping	10 years
Furniture	10 years
Computer hardware	5 years
Vehicles	5 - 10 years
Capital leases – computer hardware	Term of lease

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.

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.

(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 expenditures are incurred or services are performed.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

1. Significant accounting policies (continued):

(h) Investment income:

Investment income earned is reported as revenue in the period earned.

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

(i) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

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

(j) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, dental benefits, retirement gratuity, service awards, worker's compensation and long-term disability benefits. The Board accrues its obligation for these employee 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: Elementary Teachers' Federation of Ontario (ETFO) and, Ontario Secondary School Teachers' Federation (OSSTF). The following ELHTs were established in 2017-2018: Canadian Union of Public Employees Education Workers' Benefit Trust (CUPE EWBT), and Ontario Non-union Education Trust (ONE-T) for non-unionized employees including principals and vice-principals. The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), and other school board staff. Currently ONE-T ELHTs also provide benefits to individuals who retired prior to the school board's participation date in 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. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

Depending on prior arrangements and employee groups, the Board continues to provide health, dental and life insurance benefits for retired individuals that were previously represented by the following unions/federations: ETFO, OSSTF and CUPE.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

1. Significant accounting policies (continued):

(k) Retirement and other employee future benefits (continued):

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

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days, 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 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. 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 services life of the employee group.

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

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

1. Significant accounting policies (continued):

(k) Budget figures:

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

The Trustees approve the budget annually. The approved budget for 2019-2020 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the expense by object note.

(l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known. Significant estimates include assumptions used in:

- (i) estimating provisions for accrued liabilities,
- (ii) performing actuarial valuations of employee future benefits liabilities, and
- (iii) useful life of fixed capital assets

(m) 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.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

2. Accounts receivable - other:

	2020	2019
Government of Ontario	\$ 13,117,214	\$ 10,382,445
First Nations	1,156,277	1,016,829
Local governments	4,751,935	1,313,842
Other school boards	188,152	183,933
Other	2,726,138	1,906,790
	<u>\$ 21,939,716</u>	<u>\$ 14,803,839</u>

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2020 is \$10,320,603 (2019 – \$ 9,647,050).

Local governments

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. This amount for the Board was \$4,751,935 (2019 – \$1,313,842) and has been included in accounts receivable on the statement of financial position. This amount will be recovered fully by the Board in the following school year.

3. Accounts receivable – Approved Capital Funding:

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

The Board has an account receivable from the Province of Ontario of \$88,153,733 as at August 31, 2020 (2019 - \$88,185,853) with respect to capital grants.

4. Accounts payable – Government of Ontario:

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. To mitigate the financial impact of this deferral, the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to about 25% of the annual education property tax amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was \$4,898,534 (2019 – \$ nil). This amount will be recovered by the Province in 2021.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

5. Net long-term liabilities:

Net long-term liabilities reported on the Consolidated Statement of Financial Position consist of the following:

	2020	2019
<u>Long-term debt:</u>		
Loans payable to the Ontario Financing Authority with interest rates ranging from 2.993% to 5.232%, due in semi-annual installments including interest, with maturity dates ranging from November 2031 to March 2040	\$ 75,015,656	\$ 78,344,998
<u>Capital Leases:</u>		
Macquarie Equipment Finance capital lease due \$64,278 annually including interest at 6% per annum, maturing August 2021	60,640	117,847
Macquarie Equipment Finance capital lease due \$178,919 annually including interest at 6% per annum, maturing August 2021	168,792	328,029
CSI Leasing Canada capital lease due \$11,751 annually including interest at 6% per annum, maturing August 2021	11,086	21,545
CSI Leasing Canada capital lease due \$14,632 annually including interest at 6% per annum, maturing November 2021	13,804	26,827
Dell Financial Services capital lease due \$81,612 annually including interest at 6% per annum, maturing September 2021	76,993	149,627
Dell Financial Services capital lease due \$14,323 annually including interest at 6% per annum, maturing October 2022	26,260	38,285
Dell Financial Services capital lease due \$109,500 annually including interest at 6% per annum, maturing November 2023	292,694	379,429
Dell Financial Services capital lease due \$169,522 annually including interest at 6% per annum, maturing June 2022	310,800	—
Dell Financial Services capital lease due \$80,645 annually including interest at 6% per annum, maturing June 2024	279,444	—
De Lage Landen capital lease due \$7,272 annually including interest at 6% per annum, maturing June 2022	25,198	—
Carried forward	76,281,367	79,406,587

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

5. Net long-term liabilities (continued):

	2020	2019
Brought forward	\$ 76,281,367	\$ 79,406,587
Dell Financial Services capital lease due \$183,130 annually including interest at 6% per annum, maturing March 2020	—	172,764
Macquarie Equipment Finance capital lease due \$96,533 annually including interest at 6% per annum, maturing August 2020	—	91,069
Macquarie Equipment Finance capital lease due \$9,184 annually including interest at 6% per annum, maturing August 2020	—	8,664
Macquarie Equipment Finance capital lease due \$51,942 annually including interest at 6% per annum, maturing August 2020	—	49,002
	\$ 76,281,367	\$ 79,728,086

Included in the consolidated statements of operations and accumulated surplus is interest on long-term debt and capital leases paid of \$3,023,481 (2019 - \$3,184,463).

Principal and interest payments relating to long-term debt and capital leases outstanding are due as follows:

	Principal	Interest	Total
2020 – 2021	\$ 4,116,229	\$ 2,919,245	\$ 7,035,474
2021 – 2022	3,940,017	2,748,824	6,688,841
2022 – 2023	3,917,872	2,587,123	6,504,995
2023 – 2024	3,965,935	2,429,561	6,395,496
2024 – 2025	4,035,545	2,272,034	6,307,579
Thereafter	56,305,769	15,666,138	71,971,908
	\$ 76,281,367	\$ 28,622,925	\$ 104,904,293

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

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, 2020 is comprised of:

	2020	2019
Amounts restricted by legislation, regulation or agreement:		
School renewal	\$ 1,128,220	\$ 3,242,347
Provincial grants	1,476,089	985,010
Rural and Northern Education Fund	352,951	477,202
Temporary accommodation	49,826	55,569
Third party grants	40,166	23,674
	<u>\$ 3,047,252</u>	<u>\$ 4,783,802</u>

7. Employee future benefits:

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

a) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2020, the Board contributed \$1,800,049 (2019 – \$1,822,340) 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.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

7. Employee future benefits (continued):

a) Retirement benefits (continued):

(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 up to August 31, 2012.

(iv) Retirement Life Insurance and Health Care Benefits:

The Board provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board 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. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

b) 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 require 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 Salary Compensation:

The Board provides long-term disability benefits including partial salary compensation during the period an employee is unable to work or until their normal retirement date. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

7. Employee future benefits (continued):

b) Other employee future benefits (continued):

(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 \$56,727 (2019 – \$51,062).

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, 2020 and is based on the average daily salary and banked sick days of employees as at August 31, 2020.

(iv) Life Insurance Benefits:

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

(v) Health Care and Dental Benefits:

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

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

7. Employee future benefits (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2020 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2019 and based on updated average daily salary and banked sick days as at August 31, 2020. 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:

	2020	2019
Inflation	1.5%	1.5%
Wage and salary escalation	0.0%	0.0%
Insurance and health care cost escalation	4.0%	4.0%
Discount on accrued benefit obligation	1.4%	2.0%

The Board has internally appropriated an amount for retirement gratuities totaling \$1,310,279 (2019 – \$1,310,279).

Information with respect to the Board's retirement and other employee future benefit obligations is as follows:

			2020	2019
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee futures				
benefits obligations	\$ 2,280,014	\$ 1,659,881	\$ 3,939,895	\$ 4,305,156
Actuarial (gain) loss in fiscal year	44,600	(29,447)	15,153	140,117
Unamortized actuarial losses	(226,558)	–	(226,558)	(267,173)
Employee future benefit liability	\$ 2,098,056	\$ 1,630,434	\$ 3,728,490	\$ 4,178,100

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

7. Employee future benefits (continued):

Accrued benefit liability			2020	2019
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Balance, beginning of year	\$ 2,251,266	\$ 1,926,834	\$ 4,178,100	\$ 4,532,714
Prior year unamortized loss	267,173	—	267,173	159,235
Current period benefit costs	—	(181,026)	(181,026)	456,170
Interest cost	47,509	33,605	81,114	125,987
Benefits paid	(285,934)	(119,532)	(405,466)	(968,950)
	2,280,014	1,659,881	3,939,895	4,305,156
Actuarial (gain) loss in fiscal year	(44,600)	59,753	15,153	140,117
Unamortized actuarial losses	(226,558)	—	(226,558)	(267,173)
Balance, end of year	\$ 2,008,856	\$ 1,719,634	\$ 3,728,490	\$ 4,178,100

Employee future benefit expense ¹			2020	2019
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ —	\$ (181,026)	\$ (181,026)	\$ 456,170
Interest on accrued benefit obligation	47,509	33,605	81,114	125,987
Amortization of actuarial loss (gain)	85,215	(29,447)	55,768	32,179
	\$ 132,724	\$ (176,868)	\$ (44,144)	\$ 614,336

¹ Excluding pension contributions to multi-employer pension plans, described in note 7(a).

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

8. Deferred capital contributions:

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

	2020	2019
Opening balance	\$ 174,121,695	\$ 168,416,166
Additions to deferred capital contributions	24,865,559	19,147,635
Revenue recognized in the period	(15,003,655)	(13,416,860)
Disposal of tangible capital assets	—	(25,246)
Ending balance	\$ 183,983,599	\$ 174,121,695

9. Expenses by object:

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

	2020 Budget	2020 Actual	2019 Actual
Current expenses:			
Salary and wages	\$ 101,774,441	\$ 100,942,743	\$ 102,032,598
Employee benefits	16,314,674	15,523,649	15,694,600
Staff development	574,738	340,739	495,986
Supplies and services	13,227,473	13,539,567	13,570,976
Interest	3,061,238	3,023,481	3,184,463
Rental	55,500	19,770	60,989
Fees and contract services	9,507,826	10,583,127	10,829,034
School funded activities	3,620,000	2,211,855	3,607,251
Other	1,679,073	488,409	744,520
Amortization of tangible capital assets	8,508,065	15,318,718	13,416,860
	\$ 158,323,028	\$ 161,992,058	\$ 163,637,277

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

10. Tangible capital assets

Cost	Balance at August 31, 2019	Additions and transfers	Disposals write-offs and adjustments	Balance at August 31, 2020
Land	\$ 2,776,473	\$ -	\$ -	\$ 2,776,473
Land improvements	17,894,936	126,847	-	18,021,783
Buildings	255,386,701	23,024,720	(5,290,771)	273,120,650
Portable structures	521,994	6,212	(79,400)	448,806
Equipment (10 years)	735,227	932,315	(89,874)	1,577,668
Equipment (15 years)	105,639	-	(44,371)	61,268
First-time equipping (10 years)	2,348,302	-	-	2,348,302
Furniture	787,512	284,204	-	1,071,716
Computer hardware	1,792,213	142,305	(608,348)	1,326,170
Vehicles	109,059	84,646	-	193,705
Capital leases - computer hardware	3,511,079	872,881	(249,461)	4,134,499
Construction in progress	173,620	-	-	173,620
	\$ 286,142,755	\$ 25,474,130	\$ (6,362,225)	\$ 305,254,660

Accumulated amortization	Balance at August 31, 2019	Amortization	Disposals write-offs and adjustments	Balance at August 31, 2020
Land	\$ -	\$ -	-	\$ -
Land improvements	10,068,201	1,827,637	-	11,895,838
Buildings	90,590,147	11,696,261	(5,290,771)	96,995,637
Portable structures	324,803	29,724	(79,400)	275,127
Equipment (10 years)	420,524	116,118	(89,874)	446,768
Equipment (15 years)	89,111	5,564	(44,371)	50,304
First-time equipping (10 years)	1,515,378	251,347	-	1,766,725
Furniture	260,438	93,240	-	353,678
Computer hardware	1,185,881	322,888	(608,348)	900,421
Vehicles	53,282	30,276	-	83,558
Capital leases - computer hardware	1,995,913	945,663	(249,461)	2,692,115
	\$ 106,503,678	\$ 15,318,718	\$ (6,362,225)	\$ 115,460,171

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

10. Tangible capital assets (continued):

	Net book value August 31, 2020	Net book value August 31, 2019
Land	\$ 2,776,473	\$ 2,776,473
Land improvements	6,125,945	7,826,735
Buildings	176,125,013	164,796,554
Portable structures	173,679	197,191
Equipment (10 years)	1,130,900	314,703
Equipment (15 years)	10,964	16,528
First-time equipping (10 years)	581,577	832,924
Furniture	718,038	527,074
Computer hardware	425,749	606,332
Vehicles	110,147	55,777
Capital leases - computer hardware	1,442,384	1,515,166
Construction in progress	173,620	173,620
	\$ 189,794,489	\$ 179,639,077

11. 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.

12. Accumulated surplus:

Accumulated surplus consists of the following:

	2020	2019
Revenues recognized for land	\$ 2,776,473	\$ 2,776,473
Surplus available for compliance	19,616,397	16,782,685
School generated funds	2,050,222	1,831,711
Employee future benefits	(1,310,279)	(1,310,279)
Other surplus appropriated, unavailable for compliance	(842,277)	(880,019)
Total accumulated surplus	\$ 22,290,536	\$ 19,200,571

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

13. Areas of jurisdictions without municipal organization:

The Board performs the duties of levying and collecting taxes, conducting elections of members, etc. in territory without municipal organization. The outlay by the Board in 2020 in respect of performing duties of municipal council is reported by area in a separate statement.

Certain costs are recoverable through a levy on all rateable property in the area and other approved costs are recoverable through an offset to the local taxation revenue.

14. First Nation fees:

Tuition and transportation fee revenue for education services provided to First Nations' students for the year are as follows:

	2020	2019
Batchewana First Nation	\$ 1,577,497	\$ 1,734,984
Brunswick House First Nation	539,508	530,954
Chapleau Cree First Nation	160,574	122,572
Chapleau Ojibwe	—	32,242
Indian Affairs-Nipissing	37,998	—
Garden River First Nation	2,804,977	2,879,306
Michipicoten First Nation	138,803	12,897
Mississauga First Nation	516,646	580,513
Serpent River First Nation	635,445	613,716
Temagami First Nation	7,163	15,424
Thessalon First Nation	378,104	320,892
	\$ 6,796,715	\$ 6,843,500

15. Commitments:

Leases:

The Board has entered into various lease agreements. Minimum payments (including taxes excluding tax rebates) for the next five years are approximately as follows:

2021	\$ 732,455
2022	381,262
2023	197,417
2024	87,917
2025	—

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2020

16. Contingent liabilities:

The Board is involved in certain legal matters and litigation, the outcomes of which are not presently determinable. The loss if any, from these contingencies will be accounted for in the year in which the matters are resolved. Management maintains adequate insurance to cover these matters. Amounts, if any, not covered by insurance are not determinable at this time and will be recorded in the period the matters are resolved.

17. Transportation consortium:

The Board provides transportation services in partnership with the Huron-Superior Catholic District School Board in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities of Algoma and Huron Superior Transportation Services Consortium are shared. No partner is in a position to exercise unilateral control.

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

18. Effects of COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Board implemented the following actions in relation to the COVID-19 pandemic:

- The closure of a number of schools and facilities to the general public;
- The general public has been restricted access to the board administrative office;
- The implementation of working from home requirements for certain Board employees;

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Board's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities. An estimate of the financial effect of the pandemic on the Board is not practicable at this time.