

Consolidated Financial Statements of

**ALGOMA DISTRICT
SCHOOL BOARD**

And Independent Auditors' Report thereon

Year ended August 31, 2019

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

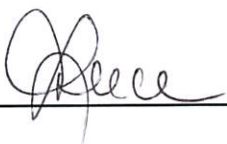
The accompanying consolidated financial statements of the Algoma District School Board are the responsibility of Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11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

November 26, 2019



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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, 2019
- 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, 2019 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.



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.



- 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 long, horizontal, slightly wavy line.

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada
November 26, 2019

ALGOMA DISTRICT SCHOOL BOARD

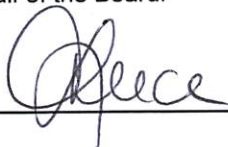
Consolidated Statement of Financial Position

August 31, 2019, with comparative information for 2018

	2019	2018
Financial assets		
Cash	\$ 13,611,897	\$ 14,057,966
Accounts receivable - other (note 2)	14,803,839	5,801,420
Accounts receivable - Approved Capital Funding (note 3)	88,185,853	95,187,495
Total financial assets	116,601,589	115,046,881
Financial liabilities		
Accounts payable and accrued liabilities	15,538,843	12,797,042
Net long-term liabilities (note 4)	79,728,086	83,062,786
Deferred revenue (note 5)	4,783,802	4,890,112
Deferred capital contributions (note 7)	174,121,695	168,416,166
Employee future benefits liability (note 6)	4,178,100	4,532,714
Total financial liabilities	278,350,526	273,698,820
Net debt	(161,748,937)	(158,651,939)
Non-financial assets		
Prepaid expenses	1,310,431	793,904
Tangible capital assets (note 9)	179,639,077	172,500,222
Total non-financial assets	180,949,508	173,294,126
Commitments (note 14)		
Contingent liabilities (note 15)		
Accumulated surplus (note 11)	\$ 19,200,571	\$ 14,642,187

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, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
Revenues:			
Municipal grants	\$ 20,387,655	\$ 19,727,755	\$ 18,698,805
Government of Ontario grants:			
- Grants for Student Needs	117,112,299	117,158,750	114,879,138
- Other	3,648,453	5,598,281	4,762,931
Amortization of deferred capital contributions	8,508,064	13,416,860	11,887,831
Federal grants and fees	6,916,924	6,903,392	6,830,874
Other revenues - School boards	150,000	184,609	180,452
Other fees and revenues	950,500	1,515,084	1,556,924
Investment income	120,000	215,886	116,598
School fundraising and other revenues	3,450,000	3,475,044	3,729,481
Total revenue	161,243,895	168,195,661	162,643,034
Expenses (note 8):			
Instruction	113,666,395	107,013,798	106,753,568
Administration	4,773,859	5,372,212	5,544,609
Transportation	8,726,181	9,063,685	8,649,824
Pupil accommodation	28,282,546	33,141,552	32,036,929
School funded activities	3,620,000	3,607,251	3,641,678
Other	2,772,494	5,438,779	4,557,109
Total expenses	161,841,475	163,637,277	161,183,717
Annual surplus (deficit)	(597,580)	4,558,384	1,459,317
Accumulated surplus, beginning of year	14,642,187	14,642,187	13,182,870
Accumulated surplus, end of year	\$ 14,044,607	\$ 19,200,571	\$ 14,642,187

See accompanying notes to the consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 4,558,384	\$ 1,459,317
Tangible capital assets:		
Acquisition of tangible capital assets	(20,580,961)	(24,831,904)
Amortization of tangible capital assets	13,416,860	11,887,831
Proceeds on disposal of tangible capital assets	248,859	18,322
Gain on sale allocated to deferred revenue	(223,613)	(18,322)
	(7,138,855)	(12,944,073)
Prepaid expenses:		
Acquisition of prepaid expenses	(1,310,431)	(793,904)
Use of prepaid expenses	793,904	693,801
	(516,527)	(100,103)
Increase in net debt	(3,096,998)	(11,584,859)
Net debt, beginning of year	(158,651,939)	(147,067,080)
Net debt, end of year	\$ (161,748,937)	\$ (158,651,939)

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Operating transactions:		
Annual surplus	\$ 4,558,384	\$ 1,459,317
Items not involving cash:		
Amortization of tangible capital assets	13,416,860	11,887,831
Amortization of deferred capital contributions	(13,416,860)	(11,887,831)
Deferred gain on disposal of restricted assets	(223,613)	(18,322)
	4,334,771	1,440,995
Change in non-cash assets and liabilities:		
(Increase) decrease in accounts receivable - other	(9,002,419)	1,957,270
Increase in accounts payable and accrued liabilities	2,741,801	574,995
(Decrease) increase in deferred revenue	(106,310)	3,613,761
Decrease in employee future benefits liability	(354,614)	(114,753)
Increase in prepaid expenses	(516,527)	(100,103)
Cash (applied to) provided by operating transactions	(2,903,298)	7,372,165
Capital transactions:		
Cash used to acquire tangible capital assets	(20,580,961)	(24,831,904)
Proceeds on disposal of tangible capital assets	248,859	18,322
Cash applied to capital transactions	(20,332,102)	(24,813,582)
Investing transactions:		
Decrease in long-term investments	-	110,616
Financing transactions:		
Debt principal repayments	(3,334,700)	(3,857,135)
Decrease in accounts receivable - Approved Capital Funding	7,001,642	2,496,804
Net additions to deferred capital contributions	19,122,389	24,280,865
Cash provided by financing transactions	22,789,331	22,920,534
(Decrease) increase in cash	(446,069)	5,589,733
Cash, beginning of year	14,057,966	8,468,233
Cash, end of year	\$ 13,611,897	\$ 14,057,966

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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, 2019

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, 2019

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, 2019

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 EWB), 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, 2019

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, 2019

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 2018-2019 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, 2019

2. Accounts receivable - other:

	2019	2018
Government of Ontario	\$ 10,382,445	\$ –
First Nations	1,016,829	578,986
Local governments	1,313,842	2,375,684
Other school boards	183,933	178,164
Other	1,906,790	2,668,586
	<u>\$ 14,803,839</u>	<u>\$ 5,801,420</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, 2019 is \$9,647,050.

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 \$88,185,853 as at August 31, 2019 (2018 - \$95,187,495) with respect to capital grants.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

4. Net long-term liabilities:

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

	2019	2018
<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	\$ 78,344,998	\$ 81,548,973
<u>Capital Leases:</u>		
Dell Financial Services capital lease due \$183,130 annually including interest at 6% per annum, maturing March 2020	172,764	335,749
Macquarie Equipment Finance capital lease due \$96,533 annually including interest at 6% per annum, maturing August 2020	91,069	176,983
Macquarie Equipment Finance capital lease due \$9,184 annually including interest at 6% per annum, maturing August 2020	8,664	16,837
Macquarie Equipment Finance capital lease due \$51,942 annually including interest at 6% per annum, maturing August 2020	49,002	95,231
Macquarie Equipment Finance capital lease due \$64,278 annually including interest at 6% per annum, maturing August 2021	117,847	171,817
Macquarie Equipment Finance capital lease due \$178,919 annually including interest at 6% per annum, maturing August 2021	328,029	478,252
CSI Leasing Canada capital lease due \$11,482 annually including interest at 6% per annum, maturing August 2021	21,545	—
CSI Leasing Canada capital lease due \$14,323 annually including interest at 6% per annum, maturing November 2021	26,827	—
Carried forward	79,160,745	82,823,842

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

4. Net long-term liabilities (continued):

	2019	2018
Brought forward	\$ 79,160,745	\$ 82,823,842
Dell Financial Services capital lease due \$79,887 annually including interest at 6% per annum, maturing September 2021	149,627	—
Dell Financial Services capital lease due \$14,020 annually including interest at 6% per annum, maturing October 2022	38,285	—
Dell Financial Services capital lease due \$107,185 annually including interest at 6% per annum, maturing November 2023	379,429	—
Dell Financial Services capital lease due \$65,301 annually including interest at 6% per annum, maturing August 2019	—	61,605
Macquarie Equipment Finance capital lease due \$88,043 annually including interest at 6% per annum, maturing August 2019	—	83,060
Royal Bank of Canada Leasing capital lease due \$99,936 annually including interest at 6% per annum, maturing August 2019	—	94,279
	\$ 79,728,086	\$ 83,062,786

Included in the consolidated statements of operations and accumulated surplus is interest on long-term debt and capital leases paid of \$3,184,463 (2018 - \$3,347,974).

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

	Principal	Interest	Total
2019-2020	\$ 4,062,161	\$ 3,056,436	\$ 7,118,597
2020-2021	3,895,717	2,882,318	6,778,035
2021-2022	3,706,274	2,725,128	6,431,402
2022-2023	3,839,627	2,577,452	6,417,079
2023-2024	3,882,994	2,424,585	6,307,579
Thereafter	60,341,313	15,666,138	76,007,451
	\$ 79,728,086	\$ 29,332,057	\$ 109,060,143

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

5. Deferred revenue:

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2019 is comprised of:

	2019	2018
Amounts restricted by legislation, regulation or agreement:		
School renewal	\$ 3,242,347	\$ 3,144,880
Provincial grants	985,010	1,396,628
Rural and Northern Education Fund	477,202	237,909
Temporary accommodation	55,569	80,821
Third party grants	23,674	29,874
	<u>\$ 4,783,802</u>	<u>\$ 4,890,112</u>

6. 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, 2019, the Board contributed \$1,822,340 (2018 - \$1,806,463) 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, 2019

6. 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, 2019

6. 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 \$51,062 (2018 - \$96,158).

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, 2019 and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

(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, 2019

6. Employee future benefits (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2019 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, 2019. 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:

	2019	2018
Wage and salary escalation	0.00%	0.00%
Discount on accrued benefit obligation	2.00%	2.90%

Health care cost are assumed to increase by 4.0% each year (2018 – 4.0%).

The Board has internally appropriated an amount for retirement gratuities totaling \$1,310,279 (2018 - \$2,186,239).

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

			2019	2018
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee futures benefits obligations	\$ 2,352,403	\$ 1,952,753	\$ 4,305,156	\$ 4,716,639
Actuarial loss (gain) in fiscal year	166,036	(25,919)	140,117	(24,690)
Unamortized actuarial losses	(267,173)	–	(267,173)	(159,235)
Employee future benefit liability	\$ 2,251,266	\$ 1,926,834	\$ 4,178,100	\$ 4,532,714

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

6. Employee future benefits (continued):

Accrued benefit liability			2019	2018
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Balance, beginning of year	\$ 2,639,566	\$ 1,893,148	\$ 4,532,714	\$ 4,647,467
Prior year unamortized loss	159,235	—	159,235	267,796
Current period benefit costs	—	456,170	456,170	732,907
Interest cost	73,625	52,362	125,987	119,596
Benefits paid	(520,023)	(448,927)	(968,950)	(1,051,127)
	2,352,403	1,952,753	4,305,156	4,716,639
Actuarial (loss) gain in fiscal year	(166,036)	306,153	140,117	(24,690)
Unamortized actuarial losses	(267,173)	—	(267,173)	(159,235)
Balance, end of year	\$ 1,919,194	\$ 2,258,906	\$ 4,178,100	\$ 4,532,714

Employee future benefit expense ¹			2019	2018
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ —	\$ 456,170	\$ 456,170	\$ 732,907
Interest on accrued benefit obligation	73,625	52,362	125,987	119,596
Amortization of actuarial loss (gain)	58,098	(25,919)	32,179	83,871
	\$ 131,723	\$ 482,613	\$ 614,336	\$ 936,374

¹ Excluding pension contributions to multi-employer pension plans, described in note 6(a).

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

7. 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.

	2019	2018
Opening balance	\$ 168,416,166	\$ 156,023,132
Additions to deferred capital contributions	19,147,635	24,280,865
Revenue recognized in the period	(13,416,860)	(11,887,831)
Disposal of tangible capital assets	(25,246)	–
Ending balance	\$ 174,121,695	\$ 168,416,166

8. Expenses by object:

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

	2019 Budget	2019 Actual	2018 Actual
Current expenses:			
Salary and wages	\$ 104,833,610	\$ 102,032,598	\$ 99,472,781
Employee benefits	16,490,231	15,694,600	17,005,820
Staff development	913,461	495,986	700,123
Supplies and services	13,444,524	13,570,976	14,220,620
Interest	3,219,604	3,184,463	3,347,974
Rental	56,500	60,989	1,020
Fees and contract services	10,323,032	10,829,034	10,308,364
School funded activities	3,620,000	3,607,251	3,641,678
Other	432,448	744,520	597,506
Amortization of tangible capital assets	8,508,065	13,416,860	11,887,831
	\$ 161,841,475	\$ 163,637,277	\$ 161,183,717

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

9. Tangible capital assets

Cost	Balance at August 31, 2018	Additions	Disposals write-offs and adjustments	Balance at August 31, 2019
Land	\$ 2,776,473	\$ -	\$ -	\$ 2,776,473
Land improvements	17,279,494	808,368	(192,926)	17,894,936
Buildings	238,265,505	18,352,801	(1,231,605)	255,386,701
Portable structures	496,220	25,774	-	521,994
Equipment (10 years)	885,166	131,621	(281,560)	735,227
Equipment (15 years)	157,871	-	(52,232)	105,639
First-time equipping (10 years)	2,211,800	136,502	-	2,348,302
Furniture	748,745	38,767	-	787,512
Computer hardware	1,931,216	65,978	(204,981)	1,792,213
Vehicles	109,059	-	-	109,059
Capital leases - computer hardware	3,259,566	847,530	(596,017)	3,511,079
Construction in progress	-	173,620	-	173,620
	\$ 268,121,115	\$ 20,580,961	\$ (2,559,321)	\$ 286,142,755

Accumulated amortization	Balance at August 31, 2018	Additions	Disposals write-offs and adjustments	Balance at August 31, 2019
Land	\$ -	\$ -	-	\$ -
Land improvements	8,374,576	1,861,305	(167,680)	10,068,201
Buildings	82,055,686	9,766,066	(1,231,605)	90,590,147
Portable structures	295,833	28,970	-	324,803
Equipment (10 years)	636,042	66,042	(281,560)	420,524
Equipment (15 years)	132,559	8,784	(52,232)	89,111
First-time equipping (10 years)	1,270,856	244,522	-	1,515,378
Furniture	183,206	77,232	-	260,438
Computer hardware	1,004,928	385,934	(204,981)	1,185,881
Vehicles	31,471	21,811	-	53,282
Capital leases - computer hardware	1,635,736	956,194	(596,017)	1,995,913
	\$ 95,620,893	\$ 13,416,860	\$ (2,534,075)	\$ 106,503,678

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

9. Tangible capital assets (continued):

	Net book value August 31, 2019	Net book value August 31, 2018
Land	\$ 2,776,473	\$ 2,776,473
Land improvements	7,826,735	8,904,918
Buildings	164,796,554	156,209,819
Portable structures	197,191	200,387
Equipment (10 years)	314,703	249,124
Equipment (15 years)	16,528	25,312
First-time equipping (10 years)	832,924	940,944
Furniture	527,074	565,539
Computer hardware	606,332	926,288
Vehicles	55,777	77,588
Capital leases - computer hardware	1,515,166	1,623,830
Construction in progress	173,620	—
	\$ 179,639,077	\$ 172,500,222

10. 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.

11. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Revenues recognized for land	\$ 2,776,473	\$ 2,776,473
Surplus available for compliance	16,782,685	12,978,024
School generated funds	1,831,711	1,963,918
Employee future benefits	(1,310,279)	(2,186,239)
Other surplus appropriated, unavailable for compliance	(880,019)	(889,989)
Total accumulated surplus	\$ 19,200,571	\$ 14,642,187

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

12. 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 2019 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.

13. First Nation fees:

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

	2019	2018
Batchewana First Nation	\$ 1,734,984	\$ 1,699,349
Brunswick House First Nation	530,954	552,052
Chapleau Cree First Nation	122,572	148,035
Chapleau Ojibwe	32,242	—
Garden River First Nation	2,879,306	2,870,293
Michipicoten First Nation	12,897	58,428
Mississauga First Nation	580,513	536,754
Serpent River First Nation	613,716	583,122
Temagami First Nation	15,424	—
Thessalon First Nation	320,892	333,128
	\$ 6,843,500	\$ 6,781,161

14. 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:

2020	\$ 815,805
2021	475,016
2022	123,823
2023	109,500
2024	—

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

15. 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.