

Consolidated Financial Statements of

**ALGOMA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2018



Algonia District School Board

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CHAIR
Jennifer Sarlo

DIRECTOR OF EDUCATION
Lucia Reece

2018 11 27

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

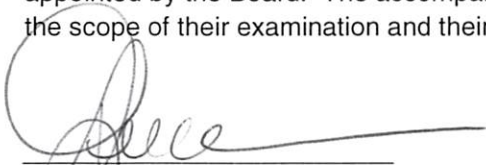
The accompanying consolidated financial statements of the Algonia District School Board are the responsibility of Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11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

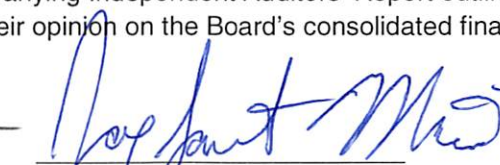
The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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 27, 2018



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

To the Trustees of the Algoma District School Board

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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



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Opinion

In our opinion, the consolidated financial statements of the Algoma District School Board as at and for the year ended August 31, 2018, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Canada

November 27, 2018

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2018, with comparative information for 2017

	2018	2017
Financial assets		
Cash	\$ 14,057,966	\$ 8,468,233
Investments	-	110,616
Accounts receivable - other (note 2)	5,801,420	7,758,690
Accounts receivable - Approved Capital Funding (note 3)	95,187,495	97,684,299
Total financial assets	115,046,881	114,021,838
Financial liabilities		
Accounts payable and accrued liabilities	12,797,042	12,222,047
Net long-term liabilities (note 4)	83,062,786	86,919,921
Deferred revenue (note 5)	4,890,112	1,276,351
Deferred capital contributions (note 7)	168,416,166	156,023,132
Employee future benefits liability (note 6)	4,532,714	4,647,467
Total financial liabilities	273,698,820	261,088,918
Net debt	(158,651,939)	(147,067,080)
Non-financial assets		
Prepaid expenses	793,904	693,801
Tangible capital assets (note 9)	172,500,222	159,556,149
Total non-financial assets	173,294,126	160,249,950
Commitments (note 15)		
Contingent liabilities (note 16)		
Accumulated surplus (note 11)	\$ 14,642,187	\$ 13,182,870

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, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
Revenues:			
Municipal grants	\$ 18,192,785	\$ 18,698,805	\$ 18,635,888
Government of Ontario grants:			
- Grants for Student Needs	113,834,545	114,879,138	108,887,195
- Other	3,191,494	4,762,931	4,450,357
Amortization of deferred capital contributions	8,508,065	11,887,831	10,460,327
Federal grants and fees	6,591,526	6,830,874	6,440,571
Other revenues - School boards	150,000	180,452	181,802
Other fees and revenues	650,500	1,556,924	2,626,037
Investment income	135,000	116,598	149,960
School fundraising and other revenues	3,450,000	3,729,481	3,493,374
Total revenue	154,703,915	162,643,034	155,325,511
Expenses (note 8):			
Instruction	108,265,299	106,753,568	101,319,590
Administration	5,040,046	5,544,609	5,163,817
Transportation	8,408,710	8,649,824	8,407,829
Pupil accommodation	28,334,739	32,036,929	31,943,788
School funded activities	3,620,000	3,641,678	3,724,850
Other	2,207,763	4,557,109	4,364,499
Total expenses	155,876,557	161,183,717	154,924,373
Annual surplus (deficit)	(1,172,642)	1,459,317	401,138
Accumulated surplus, beginning of year	13,182,870	13,182,870	12,781,732
Accumulated surplus, end of year	\$ 12,010,228	\$ 14,642,187	\$ 13,182,870

See accompanying notes to the consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

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

	2018	2017
Annual surplus	\$ 1,459,317	\$ 401,138
Tangible capital assets:		
Acquisition of tangible capital assets	(24,831,904)	(20,739,472)
Amortization of tangible capital assets	11,887,831	10,460,327
Loss on sale of tangible capital assets	-	733,532
Proceeds on disposal of tangible capital assets	18,322	356,323
Gain on sale allocated to deferred revenue	(18,322)	(69,442)
	<u>(12,944,073)</u>	<u>(9,258,732)</u>
Prepaid expenses:		
Acquisition of prepaid expenses	(793,904)	(693,801)
Use of prepaid expenses	693,801	485,382
	<u>(100,103)</u>	<u>(208,419)</u>
Increase in net debt	(11,584,859)	(9,066,013)
Net debt, beginning of year	(147,067,080)	(138,001,067)
Net debt, end of year	<u>\$ (158,651,939)</u>	<u>\$ (147,067,080)</u>

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

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

	2018	2017
Operating transactions:		
Annual surplus	\$ 1,459,317	\$ 401,138
Items not involving cash:		
Amortization of tangible capital assets	11,887,831	10,460,327
Amortization of deferred capital contributions	(11,887,831)	(10,460,327)
Loss on sale of tangible capital assets	-	733,532
Deferred gain on disposal of restricted assets	(18,322)	(69,442)
	1,440,995	1,065,228
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable - other	1,957,270	(2,200,597)
Increase (decrease) in accounts payable and accrued liabilities	574,995	(2,125,244)
Increase in deferred revenue	3,613,761	596,142
Decrease in employee future benefits liability	(114,753)	(660,050)
Increase in prepaid expenses	(100,103)	(208,419)
Cash provided by (applied to) operating transactions	7,372,165	(3,532,940)
Capital transactions:		
Cash used to acquire tangible capital assets	(24,831,904)	(20,739,472)
Proceeds on disposal of tangible capital assets	18,322	356,323
Cash applied to capital transactions	(24,813,582)	(20,383,149)
Investing transactions:		
Decrease in long-term investments	110,616	-
Financing transactions:		
Long-term liabilities issued	-	2,232,519
Debt principal repayments	(3,857,135)	(4,045,549)
Decrease (increase) in accounts receivable - Approved Capital Funding	2,496,804	(6,178,854)
Net additions to deferred capital contributions	24,280,865	19,955,382
Cash provided by financing transactions	22,920,534	11,963,498
Increase (decrease) in cash	5,589,733	(11,952,591)
Cash, beginning of year	8,468,233	20,420,824
Cash, end of year	\$ 14,057,966	\$ 8,468,233

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

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, 2018

1. Significant accounting policies (continued):

(b) Reporting entity:

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

(f) Investments:

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the consolidated statement of financial position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies (continued):

(g) 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
First-time equipping	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Capital leases – computer hardware	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.

(h) 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, 2018

1. Significant accounting policies (continued):

(i) 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.

(j) 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

(k) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, 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: ETFO and OSSTF. The following ELHTs were established in 2017-2018: CUPE and non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to the above mentioned groups. Upon transition of the employee groups' health, dental and life benefits plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

Depending on prior arrangements and employee group, the Board provides health, dental and life insurance benefits for retired individuals for all groups and continues to have a liability for payment of benefits for those who are on long-term disability and for some retirees who are retired under these plans.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

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 are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. 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, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("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, 2018

1. Significant accounting policies (continued):

(l) 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 2017-2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus and the expense by object note.

(m) 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

(n) 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, 2018

2. Accounts receivable - other:

	2018	2017
Government of Ontario	\$ -	\$ 1,839,630
First Nations	578,986	1,542,157
Local governments	2,375,684	2,847,149
Other school boards	178,164	181,802
Other	2,668,586	1,347,952
	<hr/> \$ 5,801,420	<hr/> \$ 7,758,690 <hr/>

3. Accounts receivable – Approved Capital Funding:

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

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

4. Net long-term liabilities:

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

	2018	2017
<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	\$ 81,548,973	\$ 84,632,394
<u>Capital Leases:</u>		
Dell Financial Services capital lease due \$65,301 annually including interest at 6% per annum, maturing August 2019	61,605	73,907
Macquarie Equipment Finance capital lease due \$88,043 annually including interest at 6% per annum, maturing August 2019	83,060	161,420
Royal Bank of Canada Leasing capital lease due \$99,936 annually including interest at 6% per annum, maturing August 2019	94,279	183,221
Macquarie Equipment Finance capital lease due \$96,533 annually including interest at 6% per annum, maturing August 2020	176,983	258,034
Macquarie Equipment Finance capital lease due \$9,184 annually including interest at 6% per annum, maturing August 2020	16,837	24,548
Macquarie Equipment Finance capital lease due \$51,942 annually including interest at 6% per annum, maturing August 2020	95,231	138,843
Dell Financial Services capital lease due \$183,130 annually including interest at 6% per annum, maturing March 2020	335,749	489,508
Macquarie Equipment Finance capital lease due \$64,278 annually including interest at 6% per annum, maturing August 2021	171,817	222,731
Carried forward	82,584,534	86,184,606

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

4. Net long-term liabilities (continued):

	2018	2017
Brought forward	\$ 82,584,534	\$ 86,184,606
Macquarie Equipment Finance capital lease due \$178,919 annually including interest at 6% per annum, maturing August 2021	478,252	619,974
Pacific and Western Bank of Canada capital lease due \$20,287 annually including interest at 6% per annum, maturing August 2018	–	19,138
Dell Financial Services capital lease due \$13,818 annually including interest at 6% per annum, maturing August 2018	–	13,036
CSI Leasing Canada capital lease due \$88,157 annually including interest at 6% per annum, maturing August 2018	–	83,167
	\$ 83,062,786	\$ 86,919,921

Included in the consolidated statements of operations and accumulated surplus is interest on long-term debt and capital leases paid of \$3,347,974 (2017 - \$3,377,832).

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

	Principal	Interest	Total
2018-2019	\$ 3,950,413	\$ 3,189,432	\$ 7,139,845
2019-2020	3,867,285	3,019,494	6,886,779
2020-2021	3,689,149	2,857,068	6,546,217
2021-2022	3,595,307	2,712,272	6,307,579
2022-2023	3,736,325	2,571,254	6,307,579
Thereafter	64,224,307	18,090,723	82,315,030
	\$ 83,062,786	\$ 32,440,243	\$ 115,503,029

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

5. Deferred revenue:

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

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2018 is comprised of:

	2018	2017
Amounts restricted by legislation, regulation or agreement:		
School renewal	\$ 3,144,880	\$ 944,802
Provincial grants	1,396,628	228,810
Rural and Northern Education Fund	237,909	–
Temporary accommodation	80,821	81,500
Third party grants	29,874	21,239
	<u>\$ 4,890,112</u>	<u>\$ 1,276,351</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, 2018, the Board contributed \$1,806,463 (2017 - \$1,790,653) 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, 2018

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 at 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 life insurance:

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

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

6. Employee future benefits (continued):

b) Other employee future benefits (continued):

(iii) Accumulated sick leave:

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 \$96,158 (2017 - \$67,905).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

(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, 2018

6. Employee future benefits (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2016 and based on updated average daily salary and banked sick days as at August 31, 2018. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018	2017
Wage and salary escalation	0.00%	0.00%
Discount on accrued benefit obligation	2.90%	2.55%

Health care cost are assumed to increase by 4.0% each year (2017 – 4.0%).

The Board has internally appropriated an amount for retirement gratuities totaling \$2,186,239 (2017 - \$3,159,528).

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

	2018		2017	
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee futures benefits obligations	\$ 2,840,155	\$ 1,876,484	\$ 4,716,639	\$ 4,991,780
Actuarial loss (gain) in fiscal year	(41,354)	16,664	(24,690)	(76,517)
Unamortized actuarial losses	(159,235)	–	(159,235)	(267,796)
Employee future benefit liability	\$ 2,639,566	\$ 1,893,148	\$ 4,532,714	\$ 4,647,467

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

6. Employee future benefits (continued):

Accrued benefit liability			2018	2017
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Balance, beginning of year	\$ 3,207,942	\$ 1,439,525	\$ 4,647,467	\$ 5,307,517
Prior year unamortized gain	267,796	–	267,796	426,147
Current period benefit costs	–	732,907	732,907	122,649
Interest cost	79,514	40,082	119,596	107,411
Benefits paid	(715,097)	(336,030)	(1,051,127)	(971,944)
	2,840,155	1,876,484	4,716,639	4,991,780
Actuarial loss (gain) in fiscal year	(41,354)	16,664	(24,690)	(76,517)
Unamortized actuarial losses	(159,235)	–	(159,235)	(267,796)
Balance, end of year	\$ 2,639,566	\$ 1,893,148	\$ 4,532,714	\$ 4,647,467

Employee future benefit expense ¹			2018	2017
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ –	\$ 732,907	\$ 732,907	\$ 122,649
Interest on accrued benefit obligation	79,514	40,082	119,596	107,411
Amortization of actuarial loss	67,207	16,664	83,871	81,834
	\$ 146,721	\$ 789,653	\$ 936,374	\$ 311,894

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, 2018

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.

	2018	2017
Opening balance	\$ 156,023,132	\$ 146,528,077
Additions to deferred capital contributions	24,280,865	20,945,795
Revenue recognized in the period	(11,887,831)	(10,460,327)
Disposal of tangible capital assets	–	(990,413)
Ending balance	\$ 168,416,166	\$ 156,023,132

8. Expenses by object:

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

	2018 Budget	2018 Actual	2017 Actual
Current expenses:			
Salary and wages	\$ 99,811,561	\$ 99,472,781	\$ 95,706,002
Employee benefits	15,575,062	17,005,820	14,942,169
Staff development	905,561	700,123	642,447
Supplies and services	13,473,175	14,220,620	14,626,199
Interest	3,409,974	3,347,974	3,377,832
Rental	58,147	1,020	3,817
Fees and contract services	10,132,764	10,308,364	10,111,966
School funded activities	3,620,000	3,641,678	3,724,850
Other	382,248	597,506	595,232
Amortization of tangible capital assets	8,508,065	11,887,831	10,460,327
Loss on disposal of tangible capital assets	–	–	733,532
	\$ 155,876,557	\$ 161,183,717	\$ 154,924,373

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

9. Tangible capital assets

Cost	Balance at August 31, 2017	Additions	Disposals write-offs and adjustments	Balance at August 31, 2018
Land	\$ 2,776,473	\$ -	\$ -	\$ 2,776,473
Land improvements	17,192,613	86,881	-	17,279,494
Building (40 years)	214,359,713	23,905,792	-	238,265,505
Portable structures	434,780	61,440	-	496,220
Equipment (10 years)	870,069	15,097	-	885,166
Equipment (15 years)	171,205	-	(13,334)	157,871
First-time equipping (10 years)	2,085,865	125,935	-	2,211,800
Furniture	448,150	313,152	(12,557)	748,745
Computer hardware	1,664,591	294,809	(28,184)	1,931,216
Vehicles	102,617	28,798	(22,356)	109,059
Capital leases - computer hardware	3,711,669	-	(452,103)	3,259,566
	\$ 243,817,745	\$ 24,831,904	\$ (528,534)	\$ 268,121,115

Accumulated amortization	Balance at August 31, 2017	Additions	Disposals write-offs and adjustments	Balance at August 31, 2018
Land	\$ -	\$ -	-	\$ -
Land improvements	6,601,157	1,773,419	-	8,374,576
Building (40 years)	73,657,562	8,398,124	-	82,055,686
Portable structures	272,506	23,327	-	295,833
Equipment (10 years)	560,284	75,758	-	636,042
Equipment (15 years)	134,924	10,969	(13,334)	132,559
First-time equipping (10 years)	1,039,456	231,400	-	1,270,856
Furniture	137,060	58,703	(12,557)	183,206
Computer hardware	659,940	373,172	(28,184)	1,004,928
Vehicles	32,660	21,167	(22,356)	31,471
Capital leases - computer hardware	1,166,047	921,792	(452,103)	1,635,736
	\$ 84,261,596	\$ 11,887,831	\$ (528,534)	\$ 95,620,893

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

9. Tangible capital assets (continued):

	Net book value August 31, 2018	Net book value August 31, 2017
Land	\$ 2,776,473	\$ 2,776,473
Land improvements	8,904,918	10,591,456
Building (40 years)	156,209,819	140,702,151
Portable structures	200,387	162,274
Equipment (10 years)	249,124	309,785
Equipment (15 years)	25,312	36,281
First-time equipping (10 years)	940,944	1,046,409
Furniture	565,539	311,090
Computer hardware	926,288	1,004,651
Vehicles	77,588	69,957
Capital leases - computer hardware	1,623,830	2,545,622
	<u>\$ 172,500,222</u>	<u>\$ 159,556,149</u>

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:

	2018	2017
Revenues recognized for land	\$ 2,776,473	\$ 2,776,473
Surplus available for compliance	12,978,024	12,641,803
School generated funds	1,963,918	1,876,115
Employee future benefits	(2,186,239)	(3,159,528)
Other surplus appropriated, unavailable for compliance	(889,989)	(951,993)
Total accumulated surplus	<u>\$ 14,642,187</u>	<u>\$ 13,182,870</u>

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

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 2018 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:

	2018	2017
Batchewana First Nation	\$ 1,699,349	\$ 1,642,063
Brunswick House First Nation	552,052	502,519
Chapleau Cree First Nation	148,035	185,820
Garden River First Nation	2,870,293	2,445,840
Michipicoten First Nation	58,428	79,919
Mississauga First Nation	536,754	659,288
Serpent River First Nation	583,122	645,820
Thessalon First Nation	333,128	224,337
	<u>\$ 6,781,161</u>	<u>\$ 6,385,606</u>

14. Trust transaction:

In the prior year, the Board received \$10,050,068 from the Province of Ontario related to a settlement with Hydro One for past educational portion of municipal taxes. The Board paid out entire amount of the funds, as instructed, to the City of Sault Ste. Marie, Municipality of Wawa and 4 unorganized townships. Management has taken the position that the amount was received in trust for the benefit of others and therefore was not presented in the Board's financial activities for the year ended August 31, 2017.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

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:

2019	\$	837,267
2020		583,987
2021		243,198
2022		—
2023		—

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.