

Consolidated Financial Statements of

**ALGOMA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2015



Algoma District School Board

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CHAIR
Jennifer Sarlo

DIRECTOR OF EDUCATION
Lucia Reece

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 compliance 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.

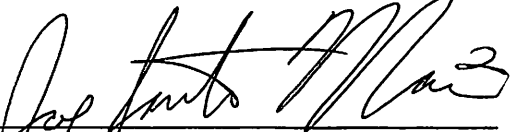
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis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

The Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their 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 24, 2015

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, 2015, 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.

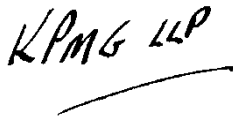
Opinion

In our opinion, the consolidated financial statements of the Algoma District School Board as at and for the year ended August 31, 2015, 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

A handwritten signature in black ink that reads "KPMG LLP". The letters are slanted and connected, with a long horizontal stroke underneath the entire signature.

Chartered Professional Accountants, Licensed Public Accountants

November 24, 2015
Sault Ste. Marie, Canada

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 17,738,067 | \$ 21,568,736 |
| Investments | 110,616 | 109,263 |
| Accounts receivable - other (note 3) | 4,538,427 | 4,355,668 |
| Accounts receivable - Approved Capital Funding (note 4) | 94,955,169 | 93,353,550 |
| Total financial assets | 117,342,279 | 119,387,217 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 10,218,688 | 10,919,435 |
| Net long-term liabilities (note 5) | 91,507,063 | 94,303,959 |
| Deferred revenue (note 6) | 2,251,950 | 2,448,505 |
| Deferred capital contributions (note 8) | 143,286,104 | 142,904,644 |
| Employee future benefits liability (note 7) | 6,574,151 | 6,853,429 |
| Total financial liabilities | 253,837,956 | 257,429,972 |
| Net debt | (136,495,677) | (138,042,755) |
| Non-financial assets: | | |
| Prepaid expenses | 597,343 | 614,590 |
| Tangible capital assets (note 10) | 147,070,533 | 145,023,644 |
| Total non-financial assets | 147,667,876 | 145,638,234 |
| Contingent liabilities (note 16) | | |
| Subsequent events (note 18) | | |
| Accumulated surplus (note 12) | \$ 11,172,199 | \$ 7,595,479 |

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, 2015, with comparative information for 2014

| | 2015 Budget | 2015 Actual | 2014 Actual |
|--|---------------------|----------------------|---------------------|
| Revenues: | | | |
| Municipal grants | \$ 18,628,135 | \$ 18,560,168 | \$ 18,944,619 |
| Government of Ontario grants: | | | |
| - Grants for Student Needs | 109,450,822 | 112,257,556 | 103,420,731 |
| - Other | 3,073,244 | 4,171,818 | 10,230,922 |
| Amortization of deferred capital contributions | 7,513,442 | 8,526,791 | 8,018,890 |
| Federal grants and fees | 6,420,622 | 6,230,864 | 6,191,593 |
| Other revenues - School boards | 164,650 | 127,137 | 116,036 |
| Other fees and revenues | 737,553 | 2,903,643 | 1,372,853 |
| Investment income | 150,000 | 187,837 | 262,913 |
| School fundraising and other revenues | 3,210,000 | 3,528,411 | 3,596,655 |
| Total revenue | 149,348,468 | 156,494,225 | 152,155,212 |
| Expenses (note 9): | | | |
| Instruction | 102,887,565 | 100,361,048 | 98,103,257 |
| Administration | 4,802,108 | 5,051,589 | 4,761,844 |
| Transportation | 8,469,138 | 8,363,539 | 8,223,876 |
| Pupil accommodation | 27,037,491 | 31,085,424 | 29,494,390 |
| School funded activities | 3,150,000 | 3,564,254 | 3,657,041 |
| Other | 2,089,515 | 4,491,651 | 5,648,015 |
| Total expenses | 148,435,817 | 152,917,505 | 149,888,423 |
| Annual surplus | 912,651 | 3,576,720 | 2,266,789 |
| Accumulated surplus, beginning of year | 7,595,479 | 7,595,479 | 5,328,690 |
| Accumulated surplus, end of year | \$ 8,508,130 | \$ 11,172,199 | \$ 7,595,479 |

See accompanying notes to the consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|---|-------------------------|-------------------------|
| Annual surplus | \$ 3,576,720 | \$ 2,266,789 |
| Tangible capital assets: | | |
| Acquisition of tangible capital assets | (12,395,090) | (10,903,859) |
| Amortization of tangible capital assets | 8,526,791 | 8,018,890 |
| Loss on sale of tangible capital assets | 1,680,316 | 78,972 |
| Proceeds on disposal of tangible capital assets | 145,234 | 210,700 |
| Gains on sale allocated to deferred revenue | (4,140) | (15,550) |
| | <u>(2,046,889)</u> | <u>(2,610,847)</u> |
| Prepaid expenses: | | |
| Acquisition of prepaid expenses | (597,343) | (614,590) |
| Use of prepaid expenses | 614,590 | 722,640 |
| | <u>17,247</u> | <u>108,050</u> |
| Decrease (increase) in net debt | 1,547,078 | (236,008) |
| Net debt, beginning of year | (138,042,755) | (137,806,747) |
| Net debt, end of year | \$ (136,495,677) | \$ (138,042,755) |

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2015, with comparative information for 2014

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Operating transactions: | | |
| Annual surplus | \$ 3,576,720 | \$ 2,266,789 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 8,526,791 | 8,018,890 |
| Amortization of deferred capital contributions | (8,526,791) | (8,018,890) |
| Loss on sale of tangible capital assets | 1,680,316 | 78,972 |
| Deferred gain on disposal of restricted assets | (4,140) | (15,550) |
| | 5,252,896 | 2,330,211 |
| Change in non-cash assets and liabilities: | | |
| Decrease (increase) in accounts receivable | (182,759) | 1,154,176 |
| Increase (decrease) in accounts payable and accrued liabilities | (700,747) | 1,152,434 |
| Decrease in deferred revenue | (196,555) | (3,795,250) |
| Decrease in employee future benefits | (279,278) | (601,304) |
| Decrease in prepaid expenses | 17,247 | 108,050 |
| Cash provided by operating transactions | 3,910,804 | 348,317 |
| Capital transactions: | | |
| Cash used to acquire tangible capital assets | (12,395,090) | (10,903,857) |
| Proceeds on disposal of tangible capital assets | 145,234 | 210,701 |
| Cash applied to capital transactions | (12,249,856) | (10,693,156) |
| Investing transactions: | | |
| Increase in long-term investments | (1,353) | (109,263) |
| Financing transactions: | | |
| Long-term liabilities issued | 624,886 | 1,557,326 |
| Debt principal repayments | (3,421,782) | (3,244,101) |
| Decrease (increase) in accounts receivable - Approved Capital Funding | (1,601,619) | 3,492,889 |
| Additions to deferred capital contributions | 8,908,251 | 9,646,909 |
| Cash provided by financing transactions | 4,509,736 | 11,453,023 |
| Increase (decrease) in cash | (3,830,669) | 998,921 |
| Cash, beginning of year | 21,568,736 | 20,569,815 |
| Cash, end of year | \$ 17,738,067 | \$ 21,568,736 |

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

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, 2015

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.

Government transfers for the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(j).

(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, 2015

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 - 10 years |
| Computer hardware | 5 years |
| Computer software | 5 years |
| Vehicles | 5 - 10 years |
| Capital leases – computer hardware | Term of lease |

Amortization is taken at 50% of the above rates in the year of acquisition, except for capital leases.

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, 2015

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. 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, 2013 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, 2013. 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.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

1. Significant accounting policies (continued):

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

- (i) 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.

(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 2014-2015 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, 2015

2. Changes in accounting policies:

The Board has implemented Public Sector Accounting Board ("PSAB") section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Board's financial statements.

3. Accounts receivable - other:

| | 2015 | 2014 |
|----------------------|---------------------|---------------------|
| Government of Canada | \$ 496,678 | \$ 10,314 |
| First Nations | 184,525 | 742,007 |
| Local governments | 2,170,776 | 2,056,190 |
| Other school boards | 127,137 | 100,718 |
| Other | 1,559,311 | 1,446,439 |
| | <u>\$ 4,538,427</u> | <u>\$ 4,355,668</u> |

4. 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, 2015

5. Net long-term liabilities:

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

| | 2015 | 2014 |
|--|---------------|---------------|
| <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 May 2039 | \$ 90,455,893 | \$ 93,169,343 |
| <u>Capital Leases:</u> | | |
| Pacific and Western Bank of Canada capital lease due \$142,128 annually including interest at 5.93% per annum, maturing September 2014 | – | 133,940 |
| Lenovo Financial Services capital lease due \$25,075 annually including interest at 6% per annum, maturing September 2014 | – | 23,656 |
| De Lage Lander Financial Services capital lease due \$18,995 annually including interest at 6% per annum, maturing September 2015 | – | 17,919 |
| Pacific and Western Bank of Canada capital lease due \$59,318 annually including interest at 6% per annum, maturing September 2015 | 55,960 | 108,753 |
| Compugen Finance Inc. capital lease due \$58,694 annually including interest at 6% per annum, maturing September 2015 | 55,371 | 107,608 |
| Pacific and Western Bank of Canada capital lease due \$90,482 annually including interest at 6% per annum, maturing September 2016 | 127,990 | 186,604 |
| Pacific and Western Bank of Canada capital lease due \$69,811 annually including interest at 6% per annum, maturing September 2017 | 85,360 | 165,889 |
| Pacific and Western Bank of Canada capital lease due \$119,697 annually including interest at 6% per annum, maturing September 2017 | 219,452 | 319,952 |
| Carried forward | 91,000,026 | 94,233,664 |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

5. Net long-term liabilities (continued):

| | 2015 | 2014 |
|--|----------------------|----------------------|
| Brought forward | \$ 91,000,026 | \$ 94,233,664 |
| Pacific and Western Bank of Canada capital lease due \$20,287 annually including interest at 6% per annum, maturing September 2018 | 54,226 | 70,295 |
| Dell Financial Services capital lease due \$65,301 annually including interest at 6% per annum, maturing September 2020 | 180,229 | - |
| Dell Financial Services capital lease due \$13,818 annually including interest at 6% per annum, maturing September 2019 | 36,937 | - |
| CSI Leasing Canada capital lease due \$88,157 annually including interest at 6% per annum, maturing September 2019 | 235,645 | - |
| | \$ 91,507,063 | \$ 94,303,959 |

Included in the Consolidated Statements of Operations and Accumulated Surplus is interest on long-term debt and capital leases paid of \$3,624,747 (2014 - \$3,701,049).

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

| | Principal | Interest | Total |
|------------|----------------------|----------------------|-----------------------|
| 2015-2016 | \$ 3,375,738 | \$ 3,517,406 | \$ 6,893,144 |
| 2016-2017 | 3,309,915 | 3,365,038 | 6,674,953 |
| 2017-2018 | 3,256,882 | 3,233,271 | 6,490,153 |
| 2018-2019 | 3,265,579 | 3,107,300 | 6,372,879 |
| 2019-2020 | 3,329,341 | 2,978,238 | 6,307,579 |
| Thereafter | 74,969,608 | 26,222,112 | 101,191,720 |
| | \$ 91,507,063 | \$ 42,423,365 | \$ 133,930,428 |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

6. Deferred revenue:

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2015 is comprised of:

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Amounts restricted by legislation, regulation or agreement: | | |
| Pupil accommodation | \$ 891,703 | \$ 1,330,021 |
| Provincial grants | 293,564 | 428,681 |
| School condition improvement | 526,841 | – |
| Third party grants | 539,842 | – |
| Child care retrofit | – | 312,993 |
| Proceeds of disposition | – | 376,810 |
| | <u>\$ 2,251,950</u> | <u>\$ 2,448,505</u> |

7. Employee future benefits:

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

a) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2015, the Board contributed \$1,790,844 (2014 - \$1,748,526) 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, 2015

7. Employee future 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 are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, 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 long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits 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, 2015

7. 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 \$55,346 (2014 - \$88,328).

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, 2015 and is based on the average daily salary and banked sick days of employees as at August 31, 2015.

(iv) Life Insurance Benefits

The Board provides a separate life insurance benefits plan for certain retirees. The premiums are based on the Board experience and retirees' premiums are 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 and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements.

The accrued benefit obligations for employee future benefit plans as at August 31, 2015 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2013 and based on updated average daily salary and banked sick days as at August 31, 2015. 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:

| | 2015 | 2014 |
|--|-------|-------|
| Wage and salary escalation | 0.00% | 0.00% |
| Discount on accrued benefit obligation | 2.45% | 2.85% |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

7. Employee future benefits (continued):

Assumed health care cost trend rates at August 31, 2015 and 2014:

| | 2015 | 2014 |
|--|------|------|
| Initial health care cost trend rate, reducing by ¼% in each year | 7.7% | 7.9% |
| Cost trend rate declines to | 4.5% | 4.5% |
| Year that the rate will be ultimately reached | 2030 | 2030 |

The Board has internally appropriated an amount for retirement gratuities totaling \$5,570,580 (2014 - \$5,518,157).

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

| | 2015 | | 2014 | |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|
| | Retirement benefits | Other employee future benefits | Total employee future benefits | Total employee future benefits |
| Accrued employee futures benefits obligations | \$ 4,829,137 | \$ 1,833,911 | \$ 6,663,048 | \$ 6,724,320 |
| Actuarial loss in fiscal year | 144,802 | (9,972) | 134,830 | 221,506 |
| Unamortized actuarial gains (losses) | (223,727) | – | (223,727) | (92,397) |
| Employee future benefit liability | \$ 4,750,212 | \$ 1,823,939 | \$ 6,574,151 | \$ 6,853,429 |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

7. Employee future benefits (continued):

| Accrued benefit obligation | | | 2015 | 2014 |
|--------------------------------------|------------------------|---|---|---|
| | Retirement benefits | Other employee future benefits | Total employee future benefits | Total employee future benefits |
| Balance, beginning of year | \$ 5,273,158 | \$ 1,580,271 | \$ 6,853,429 | \$ 7,454,733 |
| Prior year unamortized gain (loss) | 92,397 | – | 92,397 | (130,558) |
| Current period benefit costs | – | 624,756 | 624,756 | (15,954) |
| Interest cost | 143,234 | 45,924 | 189,158 | 223,358 |
| Benefits paid | (679,652) | (417,040) | (1,096,692) | (807,259) |
| Balance, end of year | 4,829,137 | 1,833,911 | 6,663,048 | 6,724,320 |
| Actuarial loss in fiscal year | 144,802 | (9,972) | 134,830 | 221,506 |
| Unamortized actuarial gains (losses) | (223,727) | – | (223,727) | (92,397) |
| Accrued benefit liability | \$ 4,750,212 | \$ 1,823,939 | \$ 6,574,151 | \$ 6,853,429 |

| Employee future benefit expense ¹ | | | 2015 | 2014 |
|--|------------------------|---|---|---|
| | Retirement benefits | Other employee future benefits | Total employee future benefits | Total employee future benefits |
| Current year benefit cost | \$ – | \$ 624,756 | \$ 624,756 | \$ (15,954) |
| Interest on accrued benefit obligation | 143,234 | 45,924 | 189,158 | 223,358 |
| Amortization of actuarial losses (gains) | 13,472 | (9,972) | 3,500 | (1,449) |
| | \$ 156,706 | \$ 660,708 | \$ 817,414 | \$ 205,955 |

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

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

8. Deferred capital contributions:

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

| | 2015 | 2014 |
|---|----------------|----------------|
| Opening balance | \$ 142,904,644 | \$ 141,276,624 |
| Additions to deferred capital contributions | 10,729,661 | 9,921,033 |
| Revenue recognized in the period | (8,526,791) | (8,018,890) |
| Disposal of tangible capital assets | (1,821,410) | (274,123) |
| Ending balance | \$ 143,286,104 | \$ 142,904,644 |

9. Expenses by object:

The following is a summary of the expenses reported on the Consolidated Statement of Operations and Accumulated Surplus by object:

| | 2015 Budget | 2015 Actual | 2014 Actual |
|---|----------------|----------------|----------------|
| Current expenses: | | | |
| Salary and wages | \$ 94,226,245 | \$ 94,480,084 | \$ 95,152,625 |
| Employee benefits | 14,473,950 | 14,283,144 | 13,225,257 |
| Staff development | 675,065 | 910,271 | 754,025 |
| Supplies and services | 14,302,331 | 15,192,378 | 15,061,121 |
| Interest | 3,637,740 | 3,624,747 | 3,684,049 |
| Rental | 58,147 | 55,953 | 52,066 |
| Fees and contract services | 10,028,869 | 9,990,996 | 9,699,638 |
| School funded activities | 3,150,000 | 3,564,255 | 3,657,039 |
| Other | 332,528 | 608,570 | 504,741 |
| Amortization of tangible capital assets | 7,550,942 | 8,526,791 | 8,018,890 |
| Loss on disposal of tangible capital assets | - | 1,680,316 | 78,972 |
| | \$ 148,435,817 | \$ 152,917,505 | \$ 149,888,423 |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

10. Tangible capital assets:

| Cost | Balance at August 31, 2014 | Additions | Disposals write-offs and adjustments | Balance at August 31, 2015 |
|---------------------------------------|----------------------------------|---------------|--|----------------------------------|
| Land | \$ 619,000 | \$ 2,187,473 | \$ - | \$ 2,806,473 |
| Land improvements | 12,702,023 | 798,178 | - | 13,500,201 |
| Building (40 years) | 188,462,606 | 8,052,497 | (3,581,386) | 192,933,717 |
| Portable structures | 434,780 | - | - | 434,780 |
| Equipment (5 years) | 13,792 | - | (7,661) | 6,131 |
| Equipment (10 years) | 1,485,207 | 48,618 | (386,762) | 1,147,063 |
| Equipment (15 years) | 214,472 | - | (18,979) | 195,493 |
| First-time equipping (10 years) | 1,737,821 | - | - | 1,737,821 |
| Furniture | 305,883 | 109,502 | (13,990) | 401,395 |
| Computer hardware | 1,308,249 | 608,348 | (244,443) | 1,672,154 |
| Computer software | 131,717 | - | (121,872) | 9,845 |
| Vehicles | 133,384 | - | (24,236) | 109,148 |
| Capital leases - computer hardware | 2,498,494 | 590,474 | - | 3,088,968 |
| | \$ 210,047,428 | \$ 12,395,090 | \$ (4,399,329) | \$ 218,043,189 |

| Accumulated amortization | Balance at August 31, 2014 | Additions | Disposals write-offs and adjustments | Balance at August 31, 2015 |
|---------------------------------------|----------------------------------|--------------|--|----------------------------------|
| Land | \$ - | \$ - | \$ - | \$ - |
| Land improvements | 3,236,891 | 956,000 | - | 4,192,891 |
| Building (40 years) | 57,655,286 | 6,242,350 | (1,759,976) | 62,137,660 |
| Portable structures | 206,398 | 22,036 | - | 228,434 |
| Equipment (5 years) | 11,186 | 1,992 | (7,661) | 5,517 |
| Equipment (10 years) | 946,683 | 130,842 | (386,762) | 690,763 |
| Equipment (15 years) | 140,888 | 13,666 | (18,979) | 135,575 |
| First-time equipping (10 years) | 436,883 | 189,848 | - | 626,731 |
| Furniture | 49,339 | 35,129 | (13,990) | 70,478 |
| Computer hardware | 806,376 | 275,164 | (244,443) | 837,097 |
| Computer software | 114,607 | 14,156 | (121,872) | 6,891 |
| Vehicles | 71,915 | 24,252 | (24,236) | 71,931 |
| Capital leases - computer hardware | 1,347,332 | 621,356 | - | 1,968,688 |
| | \$ 65,023,784 | \$ 8,526,791 | \$ (2,577,919) | \$ 70,972,656 |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

10. Tangible capital assets (continued):

| | Net book value August 31, 2015 | Net book value August 31, 2014 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Land | \$ 2,806,473 | \$ 619,000 |
| Land improvements | 9,307,310 | 9,465,132 |
| Building (40 years) | 130,796,057 | 130,807,320 |
| Portable structures | 206,346 | 228,382 |
| Equipment (5 years) | 614 | 2,606 |
| Equipment (10 years) | 456,300 | 538,524 |
| Equipment (15 years) | 59,918 | 73,584 |
| First-time equipping (10 years) | 1,111,090 | 1,300,938 |
| Furniture | 330,917 | 256,544 |
| Computer hardware | 835,057 | 501,873 |
| Computer software | 2,954 | 17,110 |
| Vehicles | 37,217 | 61,469 |
| Capital leases - computer hardware | 1,120,280 | 1,151,162 |
| | <u>\$ 147,070,533</u> | <u>\$ 145,023,644</u> |

11. Ontario School Board Insurance Exchange (OSBIE):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. The ultimate premiums over a five-year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five-year term expires December 31, 2016.

12. Accumulated surplus:

Accumulated surplus consists of the following:

| | 2015 | 2014 |
|--|----------------------|---------------------|
| Revenues recognized for land | \$ 2,806,473 | \$ 619,000 |
| Surplus available for compliance | 13,052,565 | 12,601,258 |
| School generated funds | 1,953,037 | 1,988,882 |
| Employee future benefits | (5,621,882) | (6,565,661) |
| Other surplus appropriated, unavailable for compliance | (1,017,994) | (1,048,000) |
| <u>Total accumulated surplus</u> | <u>\$ 11,172,199</u> | <u>\$ 7,595,479</u> |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

13. Areas of jurisdictions without municipal organization:

The Board performs the duties of levying and collecting taxes, conducting elections of members, etc. in territory without municipal organization. The outlay by the Board in 2015 in respect of performing duties of municipal council is reported by area in a separate statement.

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

14. First Nation fees:

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

| | 2015 | 2014 |
|------------------------------|---------------------------|---------------------------|
| Chapleau Cree First Nation | \$ 197,377 | \$ 208,631 |
| Chapleau Ojibwe First Nation | 45,750 | 25,904 |
| Serpent River First Nation | 523,993 | 509,320 |
| Thessalon First Nation | 225,699 | 247,804 |
| Mississauga First Nation | 697,948 | 567,938 |
| Brunswick House First Nation | 354,459 | 298,743 |
| Michipicoten First Nation | 113,877 | 86,430 |
| Garden River First Nation | 2,473,904 | 2,598,797 |
| Batchewana First Nation | 1,556,670 | 1,573,901 |
| Constance Lake First Nation | 6,965 | - |
| | <hr/> \$ 6,196,642 | <hr/> \$ 6,117,468 |

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:

| | |
|------|------------|
| 2016 | \$ 585,565 |
| 2017 | 367,374 |
| 2018 | 182,574 |
| 2019 | 65,301 |
| 2020 | - |

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2015

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 is of the opinion that these matters are mitigated by adequate insurance coverage.

17. Comparative information:

The consolidated financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

18. Subsequent events:

Subsequent to August 31, 2015, the OSSTF-OTBU (Secondary Occasional Teachers) have ratified agreements at both the central and local levels. The ETFO (Elementary Contract Teachers), the OSSTF-TBU (Secondary Contract Teachers) and CUPE (Custodial Staff) have ratified their agreement at the central level only. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification had not occurred for OSSTF Secondary Contract, OSSTF Secondary Occasional Teachers, ETFO's Elementary Contract and ETFO Occasional Teachers and CUPE Custodial Staff. It should also be noted that OSSTF ESS (Clerical, EAs, Technical) and OSSTF ECEs (Early Childhood Educators) have not ratified locally or centrally.

The voluntary retirement gratuity early payout provision provides certain union members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the board's 2015-16 year financial statements. At this time, the change in the liability cannot be estimated since eligible members have not yet declared their participation in the voluntary retirement gratuity early payout option.