

Consolidated Financial Statements of

**ALGOMA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2017



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 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 28, 2017



KPMG LLP
111 Elgin Street, Suite 200
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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, 2017, 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, 2017, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Professional Accountants, Licensed Public Accountants

November 28, 2017
Sault Ste. Marie, Canada

ALGOMA DISTRICT SCHOOL BOARD

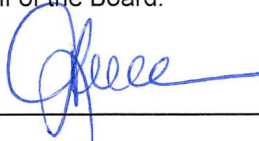
Consolidated Statement of Financial Position

August 31, 2017, with comparative information for 2016


	2017	2016
Financial assets		
Cash	\$ 8,468,233	\$ 20,420,824
Investments	110,616	110,616
Accounts receivable - other (note 2)	7,758,690	5,558,093
Accounts receivable - Approved Capital Funding (note 3)	97,684,299	91,505,445
Total financial assets	114,021,838	117,594,978
Financial liabilities		
Accounts payable and accrued liabilities	12,222,047	14,347,291
Net long-term liabilities (note 4)	86,919,921	88,732,951
Deferred revenue (note 5)	1,276,351	680,209
Deferred capital contributions (note 7)	156,023,132	146,528,077
Employee future benefits liability (note 6)	4,647,467	5,307,517
Total financial liabilities	261,088,918	255,596,045
Net debt	(147,067,080)	(138,001,067)
Non-financial assets		
Prepaid expenses	693,801	485,382
Tangible capital assets (note 9)	159,556,149	150,297,417
Total non-financial assets	160,249,950	150,782,799
Commitments (note 15)		
Contingent liabilities (note 16)		
Accumulated surplus (note 11)	\$ 13,182,870	\$ 12,781,732

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, 2017, with comparative information for 2016

	2017 Budget	2017 Actual	2016 Actual
Revenues:			
Municipal grants	\$ 18,204,041	\$ 18,635,888	\$ 19,915,115
Government of Ontario grants:			
- Grants for Student Needs	110,038,859	108,887,195	106,824,581
- Other	3,000,366	4,450,357	4,557,890
Amortization of deferred capital contributions	8,508,065	10,460,327	9,237,468
Federal grants and fees	6,154,892	6,440,571	6,202,583
Other revenues - School boards	165,000	181,802	151,687
Other fees and revenues	606,500	2,626,037	2,805,800
Investment income	140,000	149,960	135,844
School fundraising and other revenues	3,450,000	3,493,374	3,539,024
Total revenue	150,267,723	155,325,511	153,369,992
Expenses (note 8):			
Instruction	103,764,506	101,319,590	100,949,054
Administration	4,787,011	5,163,817	4,972,717
Transportation	8,535,334	8,407,829	8,244,087
Pupil accommodation	28,310,370	31,943,788	30,237,528
School funded activities	3,620,000	3,724,850	3,384,470
Other	2,016,635	4,364,499	3,972,603
Total expenses	151,033,856	154,924,373	151,760,459
Annual surplus (deficit)	(766,133)	401,138	1,609,533
Accumulated surplus, beginning of year	12,781,732	12,781,732	11,172,199
Accumulated surplus, end of year	\$ 12,015,599	\$ 13,182,870	\$ 12,781,732

See accompanying notes to the consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2017, with comparative information for 2016

	2017	2016
Annual surplus	\$ 401,138	\$ 1,609,533
Tangible capital assets:		
Acquisition of tangible capital assets	(20,739,472)	(12,865,824)
Amortization of tangible capital assets	10,460,327	9,237,468
Loss on sale of tangible capital assets	733,532	189,980
Proceeds on disposal of tangible capital assets	356,323	305,089
Gains on sale allocated to deferred revenue	(69,442)	(93,597)
	(9,258,732)	(3,226,884)
Prepaid expenses:		
Acquisition of prepaid expenses	(693,801)	(485,382)
Use of prepaid expenses	485,382	597,343
	(208,419)	111,961
Increase in net debt	(9,066,013)	(1,505,390)
Net debt, beginning of year	(138,001,067)	(136,495,677)
Net debt, end of year	\$ (147,067,080)	\$ (138,001,067)

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2017, with comparative information for 2016

	2017	2016
Operating transactions:		
Annual surplus	\$ 401,138	\$ 1,609,533
Items not involving cash:		
Amortization of tangible capital assets	10,460,327	9,237,468
Amortization of deferred capital contributions	(10,460,327)	(9,237,468)
Loss on sale of tangible capital assets	733,532	189,980
Deferred gain on disposal of restricted assets	(69,442)	(93,597)
	1,065,228	1,705,916
Change in non-cash assets and liabilities:		
Increase in accounts receivable	(2,200,597)	(1,019,666)
Increase (decrease) in accounts payable and accrued liabilities	(2,125,244)	4,128,603
Increase (decrease) in deferred revenue	596,142	(1,571,741)
Decrease in employee future benefits	(660,050)	(1,266,634)
Decrease (increase) in prepaid expenses	(208,419)	111,961
Cash provided by operating transactions	(3,532,940)	2,088,439
Capital transactions:		
Cash used to acquire tangible capital assets	(20,739,472)	(12,865,824)
Proceeds on disposal of tangible capital assets	356,323	305,089
Cash applied to capital transactions	(20,383,149)	(12,560,735)
Financing transactions:		
Long-term liabilities issued	2,232,519	798,095
Debt principal repayments	(4,045,549)	(3,572,207)
Decrease (increase) in accounts receivable - Approved Capital Funding	(6,178,854)	3,449,724
Net additions to deferred capital contributions	19,955,382	12,479,441
Cash provided by financing transactions	11,963,498	13,155,053
Increase (decrease) in cash	(11,952,591)	2,682,757
Cash, beginning of year	20,420,824	17,738,067
Cash, end of year	\$ 8,468,233	\$ 20,420,824

See accompanying notes to consolidated financial statements.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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, 2017

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, 2017

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

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, 2017

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, 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.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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 2016-2017 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

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

1. Significant accounting policies (continued):

(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.

2. Accounts receivable - other:

	2017	2016
Government of Ontario	\$ 1,839,630	\$ –
First Nations	1,542,157	630,989
Local governments	2,847,149	3,654,638
Other school boards	181,802	141,699
Other	1,347,952	1,130,767
	<u>\$ 7,758,690</u>	<u>\$ 5,558,093</u>

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, 2017

4. Net long-term liabilities:

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

	2017	2016
<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	\$ 84,632,394	\$ 87,599,887
<u>Capital Leases:</u>		
Pacific and Western Bank of Canada capital lease due \$20,287 annually including interest at 6% per annum, maturing August 2018	19,138	37,193
Dell Financial Services capital lease due \$13,818 annually including interest at 6% per annum, maturing August 2018	13,036	25,335
CSI Leasing Canada capital lease due \$88,157 annually including interest at 6% per annum, maturing August 2018	83,167	161,627
Dell Financial Services capital lease due \$65,301 annually including interest at 6% per annum, maturing August 2019	73,907	128,502
Macquarie Equipment Finance capital lease due \$88,043 annually including interest at 6% per annum, maturing August 2019	161,420	–
Royal Bank of Canada Leasing capital lease due \$99,936 annually including interest at 6% per annum, maturing August 2019	183,221	267,129
Macquarie Equipment Finance capital lease due \$96,533 annually including interest at 6% per annum, maturing August 2020	258,034	334,497
Macquarie Equipment Finance capital lease due \$9,184 annually including interest at 6% per annum, maturing August 2020	24,548	–
Macquarie Equipment Finance capital lease due \$51,942 annually including interest at 6% per annum, maturing August 2020	138,843	–
Carried forward	85,587,708	88,554,170

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

4. Net long-term liabilities (continued):

	2017	2016
Brought forward	\$ 85,587,708	\$ 88,554,170
Dell Financial Services capital lease due \$183,130 annually including interest at 6% per annum, maturing March 2020	489,508	-
Macquarie Equipment Finance capital lease due \$64,278 annually including interest at 6% per annum, maturing August 2021	222,731	-
Macquarie Equipment Finance capital lease due \$178,919 annually including interest at 6% per annum, maturing August 2021	619,974	-
Pacific and Western Bank of Canada capital lease due \$69,811 annually including interest at 6% per annum, maturing August 2017	-	65,859
Pacific and Western Bank of Canada capital lease due \$119,697 annually including interest at 6% per annum, maturing August 2017	-	112,922
	\$ 86,919,921	\$ 88,732,951

Included in the Consolidated Statements of Operations and Accumulated Surplus is interest on long-term debt and capital leases paid of \$3,377,832 (2016 - \$3,484,406).

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

	Principal	Interest	Total
2017-2018	\$ 3,857,135	\$ 3,404,769	\$ 7,261,904
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
Thereafter	67,960,632	20,661,977	88,622,609
	\$ 86,919,921	\$ 35,845,012	\$ 122,764,933

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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, 2017 is comprised of:

	2017	2016
Amounts restricted by legislation, regulation or agreement:		
School renewal	\$ 944,802	\$ 505,476
Provincial grants	228,810	107,794
Temporary accommodation	81,500	27,500
Third party grants	21,239	39,439
	\$ 1,276,351	\$ 680,209

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, 2017, the Board contributed \$1,790,653 (2016 - \$1,721,762) 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, 2017

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 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, 2017

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 \$67,905 (2016 - \$74,237).

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, 2017 and is based on the average daily salary and banked sick days of employees as at August 31, 2017.

(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.

c) Employee Life and Health Trusts:

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established in 2016-17 for ETFO, OSSTF and OSSTF-EW employee groups. ELHTs for the following employee groups will be established in 2017-18: CUPE and non-unionized employees including principals and vice-principals. The ELHTs will 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 after a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Once employees transition to the ELHT, the Board is no longer responsible to provide benefits to the above mentioned groups. Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. During the year ended August 31, 2017, the Board expensed \$339,540 (2016 - \$Nil) to the Trust.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

6. Employee future benefits (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2017 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, 2017. 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:

	2017	2016
Wage and salary escalation	0.00%	0.00%
Discount on accrued benefit obligation	2.55%	2.05%

Health care cost are assumed to increase by 4.0% each year (2016 – 4%).

The Board has internally appropriated an amount for retirement gratuities totaling \$3,159,528 (2016 - \$4,289,737).

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

	2017		2016	
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee futures benefits obligations	\$ 3,550,800	\$ 1,440,980	\$ 4,991,780	\$ 5,484,694
Actuarial (loss) gains in fiscal year	(75,062)	(1,455)	(76,517)	248,970
Unamortized actuarial losses	(267,796)	–	(267,796)	(426,147)
Employee future benefit liability	\$ 3,207,942	\$ 1,439,525	\$ 4,647,467	\$ 5,307,517

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

6. Employee future benefits (continued):

Accrued benefit liability			2017	2016
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Balance, beginning of year	\$ 3,712,504	\$ 1,595,013	\$ 5,307,517	\$ 6,574,151
Prior year unamortized gain	426,147	–	426,147	223,727
Current period benefit costs (recovery)	–	122,649	122,649	(123,891)
Change due to voluntary early payout	–	–	–	(55,851)
Interest cost	78,017	29,394	107,411	154,307
Benefits paid	(665,868)	(306,076)	(971,944)	(1,287,749)
	3,550,800	1,440,980	4,991,780	5,484,694
Actuarial (loss) gain in fiscal year	(75,062)	(1,455)	(76,517)	248,970
Unamortized actuarial losses	(267,796)	–	(267,796)	(426,147)
Balance, end of year	\$ 3,207,942	\$ 1,439,525	\$ 4,647,467	\$ 5,307,517

Employee future benefit expense ¹			2017	2016
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost (recovery)	\$ –	\$ 122,649	\$ 122,649	\$ (123,891)
Change due to voluntary early payout	–	–	–	(55,851)
Interest on accrued benefit obligation	78,017	29,394	107,411	154,307
Amortization of actuarial losses (gains)	83,289	(1,455)	81,834	46,550
	\$ 161,306	\$ 150,588	\$ 311,894	\$ 21,115

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, 2017

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.

	2017	2016
Opening balance	\$ 146,528,077	\$ 143,286,104
Additions to deferred capital contributions	20,945,795	12,880,913
Revenue recognized in the period	(10,460,327)	(9,237,468)
Disposal of tangible capital assets	(990,413)	(401,472)
Ending balance	\$ 156,023,132	\$ 146,528,077

8. Expenses by object:

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

	2017 Budget	2017 Actual	2016 Actual
Current expenses:			
Salary and wages	\$ 95,323,612	\$ 95,706,002	\$ 95,877,684
Employee benefits	15,674,448	14,942,169	13,613,948
Staff development	492,289	642,447	974,619
Supplies and services	13,596,585	14,626,199	14,714,612
Interest	3,456,648	3,377,832	3,484,406
Rental	58,147	3,817	37,579
Fees and contract services	9,980,114	10,111,966	9,745,523
School funded activities	3,620,000	3,724,850	3,384,470
Other	323,948	595,232	500,170
Amortization of tangible capital assets	8,508,065	10,460,327	9,237,468
Loss on disposal of tangible capital assets	–	733,532	189,980
	\$ 151,033,856	\$ 154,924,373	\$ 151,760,459

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

9. Tangible capital assets:

Cost	Balance at August 31, 2016	Additions	Disposals write-offs and adjustments	Balance at August 31, 2017
Land	\$ 2,806,473	\$ –	\$ (30,000)	\$ 2,776,473
Land improvements	14,794,198	2,461,910	(63,495)	17,192,613
Building (40 years)	201,419,225	15,681,606	(2,741,118)	214,359,713
Portable structures	434,780	–	–	434,780
Equipment (10 years)	1,008,441	28,237	(166,609)	870,069
Equipment (15 years)	171,205	–	–	171,205
First-time equipping (10 years)	1,936,894	148,971	–	2,085,865
Furniture	407,234	40,916	–	448,150
Computer hardware	1,697,096	87,617	(120,122)	1,664,591
Computer software	9,845	–	(9,845)	–
Vehicles	131,712	57,696	(86,791)	102,617
Capital leases - computer hardware	2,230,511	2,232,519	(751,361)	3,711,669
	\$ 227,047,614	\$ 20,739,472	\$ (3,969,341)	\$ 243,817,745

Accumulated amortization	Balance at August 31, 2016	Additions	Disposals write-offs and adjustments	Balance at August 31, 2017
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	5,260,129	1,383,024	(41,996)	6,601,157
Building (40 years)	67,983,470	7,446,296	(1,772,204)	73,657,562
Portable structures	250,470	22,036	–	272,506
Equipment (10 years)	633,019	93,874	(166,609)	560,284
Equipment (15 years)	123,510	11,414	–	134,924
First-time equipping (10 years)	826,533	212,923	–	1,039,456
Furniture	94,920	42,140	–	137,060
Computer hardware	430,302	349,760	(120,122)	659,940
Computer software	8,860	985	(9,845)	–
Vehicles	96,017	23,434	(86,791)	32,660
Capital leases - computer hardware	1,042,967	874,441	(751,361)	1,166,047
	\$ 76,750,197	\$ 10,460,327	\$ (2,948,928)	\$ 84,261,596

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

9. Tangible capital assets (continued):

	Net book value August 31, 2017	Net book value August 31, 2016
Land	\$ 2,776,473	\$ 2,806,473
Land improvements	10,591,456	9,534,069
Building (40 years)	140,702,151	133,435,755
Portable structures	162,274	184,310
Equipment (10 years)	309,785	375,422
Equipment (15 years)	36,281	47,695
First-time equipping (10 years)	1,046,409	1,110,361
Furniture	311,090	312,314
Computer hardware	1,004,651	1,266,794
Computer software	—	985
Vehicles	69,957	35,695
Capital leases - computer hardware	2,545,622	1,187,544
	<u>\$ 159,556,149</u>	<u>\$ 150,297,417</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:

	2017	2016
Revenues recognized for land	\$ 2,776,473	\$ 2,806,473
Surplus available for compliance	12,641,803	13,142,398
School generated funds	1,876,115	2,107,591
Employee future benefits	(3,159,528)	(4,289,737)
Other surplus appropriated, unavailable for compliance	(951,993)	(984,993)
Total accumulated surplus	<u>\$ 13,182,870</u>	<u>\$ 12,781,732</u>

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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 2017 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:

	2017	2016
Batchewana First Nation	\$ 1,642,063	\$ 1,592,483
Brunswick House First Nation	502,519	414,674
Chapleau Cree First Nation	185,820	129,218
Chapleau Ojibwe First Nation	–	11,932
Garden River First Nation	2,445,840	2,428,514
Michipicoten First Nation	79,919	66,258
Mississauga First Nation	659,288	719,342
Serpent River First Nation	645,820	597,207
Thessalon First Nation	224,337	182,339
	<u>\$ 6,385,606</u>	<u>\$ 6,141,967</u>

14. Trust transaction:

During the 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 are not presented in the Board's financial activities.

ALGOMA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

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:

2018	\$	959,530
2019		837,267
2020		583,987
2021		243,198
2022		—

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.