

**Algoma District School Board
Consolidated Financial Statements
For the year ended August 31, 2012**

Algoma District School Board
Consolidated Financial Statements
For the year ended August 31, 2012

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Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Algoma District School Board are the responsibility of the Board's management and have been prepared in compliance with legislation, and based on the reporting provisions described in the summary of significant accounting policies attached in the consolidated financial statements.

A summary of the significant accounting policies are described before the notes to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

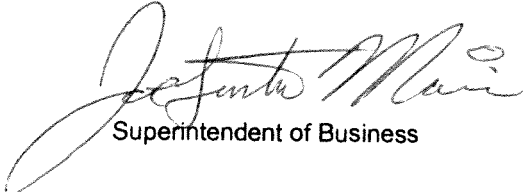
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis 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 BDO Canada 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

Sault Ste. Marie, Ontario
December 5, 2012



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BDO Canada LLP
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PO Box 1109
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Independent Auditor's Report

To the Board of Trustees of the Algoma District School Board

We have audited the accompanying consolidated financial statements of Algoma District School Board, which comprise the consolidated statements of financial position as at August 31, 2012 and August 31, 2011, the consolidated statements of operations, changes in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in the summary of significant accounting policies 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 audits. We conducted our audits 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 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 Algoma District School Board as at and for the years ended August 31, 2012 and August 31, 2011 are prepared, in all material respects, in accordance with the basis of accounting described in the summary of significant accounting policies to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to the summary of significant accounting policies 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.


BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

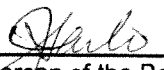
Sault Ste. Marie, Ontario
December 5, 2012

Algoma District School Board
Consolidated Statement of Financial Position

August 31	2012	2011
Financial Assets		
Cash and cash equivalents	\$ 10,203,500	\$ 6,992,040
Accounts receivable (Note 1)	6,513,796	10,655,881
Accounts receivable - Government of Ontario Approved Capital (Note 7)	<u>98,980,874</u>	<u>93,338,049</u>
	<u>115,698,170</u>	<u>110,985,970</u>
 Liabilities		
Temporary borrowing (Note 4)	-	57,854,792
Accounts payable and accrued liabilities	7,817,355	18,015,658
Deferred revenue (Note 2)	7,275,647	4,524,958
Deferred capital contributions (Note 3)	138,928,611	133,571,866
Employee future benefits payable (Note 5)	8,461,419	17,070,337
Long term debt and capital leases (Note 6)	<u>93,132,269</u>	<u>21,336,386</u>
	<u>255,615,301</u>	<u>252,373,997</u>
 Net debt	 <u>(139,917,131)</u>	 <u>(141,388,027)</u>
 Non-financial assets		
Prepaid expenses	761,560	397
Tangible capital assets (Note 14)	<u>139,696,768</u>	<u>134,915,516</u>
	<u>140,458,328</u>	<u>134,915,913</u>
 Accumulated surplus (deficit) (Note 8)	 <u>\$ 541,197</u>	 <u>\$ (6,472,114)</u>



Director of Education



Chairperson of the Board

Algoma District School Board Consolidated Statement of Operations

For the year ended August 31	Budget 2012	Actual 2012	Actual 2011
Revenue			
Local taxation	\$ 20,522,460	\$ 17,365,792	\$ 16,592,186
Province grants - student focused funding	105,277,524	110,025,174	108,021,584
Provincial grants - other	3,628,134	5,512,397	5,152,797
Federal grants and fees	6,128,151	6,404,995	6,537,489
Other revenues - school boards	190,109	304,576	173,430
Other fees and revenues	1,005,825	781,234	962,193
Investment income	50,000	85,986	103,295
School fundraising and other revenues	4,371,534	3,645,900	3,799,854
Amortization of deferred capital contributions	6,421,823	5,507,923	4,745,473
	<u>147,595,560</u>	<u>149,633,977</u>	<u>146,088,301</u>
Expenses			
Instruction	104,601,489	103,446,306	99,192,856
Administration	4,316,597	4,933,001	4,665,043
Transportation	8,281,756	8,412,578	8,280,649
Pupil accommodation	24,803,007	26,156,104	23,003,415
Other	3,237,487	(3,897,780)	4,137,656
School funded activities	4,301,160	3,570,457	3,762,266
	<u>149,541,496</u>	<u>142,620,666</u>	<u>143,041,885</u>
Annual surplus	(1,945,936)	7,013,311	3,046,416
Accumulated deficit, beginning of year	(10,122,084)	(6,472,114)	(9,518,530)
Accumulated surplus (deficit), end of year	<u>\$ (12,068,020)</u>	<u>\$ 541,197</u>	<u>\$ (6,472,114)</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Algoma District School Board
Consolidated Statement of Change in Net Debt

For the year ended August 31	2012	2011
Annual surplus	\$ 7,013,311	\$ 3,046,416
Acquisition of tangible capital assets	(10,864,669)	(55,669,163)
Amortization of tangible capital assets	6,083,418	5,345,186
Prepaid expenses	(761,164)	17,151
Net change in net assets (debt)	1,470,896	(47,260,410)
Net debt, beginning of year	(141,388,027)	(94,127,617)
Net debt, end of year	\$ (139,917,131)	\$ (141,388,027)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Algoma District School Board Consolidated Statement of Cash Flows

For the year ended August 31	2012	2011
Cash flows from operating activities		
Annual surplus	\$ 7,013,311	\$ 3,046,416
Items not involving cash		
Amortization of tangible capital assets	6,083,418	5,345,186
Amortization of deferred capital contributions	<u>(5,507,923)</u>	<u>(4,745,473)</u>
	7,588,806	3,646,129
Changes in non-cash operating balances		
Accounts receivable	(1,500,740)	(50,901,677)
Accounts payable and accrued liabilities	(10,198,303)	4,862,173
Deferred revenues	2,750,689	199,022
Employee benefits payable	(8,608,918)	(418,348)
Prepaid expenses	<u>(761,163)</u>	<u>17,151</u>
	<u>(10,729,629)</u>	<u>(42,595,550)</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(10,864,669)</u>	<u>(55,669,163)</u>
Investing and financing activities		
Long term financing issued	72,428,764	1,083,735
Increase (decrease) in temporary borrowing	(57,854,792)	40,116,151
Debt principal repayments	(632,883)	(448,280)
Deferred capital contributions received	<u>10,864,669</u>	<u>55,669,163</u>
	<u>24,805,758</u>	<u>96,420,769</u>
Increase (decrease) in cash and cash equivalents during the year	3,211,460	(1,843,944)
Cash and cash equivalents, beginning of year	<u>6,992,040</u>	<u>8,835,984</u>
Cash and cash equivalents, end of year	<u>\$ 10,203,500</u>	<u>\$ 6,992,040</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Algoma District School Board

Summary of Significant Accounting Policies

August 31, 2012

Nature of Business

The principal activity of the Board is to administer the operations of the english elementary and secondary schools in the District of Algoma.

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 requires 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

Algoma District School Board

Summary of Significant Accounting Policies

August 31, 2012

Basis of Accounting (cont'd)

- 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.

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the School Board 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 ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the statement of financial position as at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances 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.

School generated funds, which include the assets, liabilities, revenues, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Trust Funds

Trust funds and their operations administered by the Board are not included in the financial statements as they are not controlled by the Board.

Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand and bank deposits.

Algoma District School Board Summary of Significant Accounting Policies

August 31, 2012

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 performed.

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

Retirement and Other Employee Future Benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance, health care benefits, retirement gratuities, service gratuities, worker's compensation and long-term disability benefits. On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, and life plan. 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 at retirement, 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 are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be amortized over the expected average remaining service life of the employee group.

Algoma District School Board

Summary of Significant Accounting Policies

August 31, 2012

Retirement and Other

Employee Future Benefits (cont'd)

For self insured retirement and other employee future benefits that vest or accumulated over the periods of service provided by employees, such as retirement gratuities, life insurance and health care benefits for retirees, and non-vesting accumulating sick leave credits, 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. The changes to the retiree health and life plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

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 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.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets, 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 of 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.

Algoma District School Board Summary of Significant Accounting Policies

August 31, 2012

Tangible Capital Assets (cont'd) Amortization is reflected on a straight-line basis over the estimated useful life of the assets at the following amortization rates:

Land improvements with finite lives	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 over the lease term	

Assets under construction are not amortized until the asset is available for use. Except for capital leases, in the first year of acquisition, capital assets are amortized at half of the above rates.

Government Transfers Government transfers, which include legislative grants, are recognized in the 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 capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

Investment Income Investment income 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.

Budget Figures Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of 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.

Algoma District School Board Summary of Significant Accounting Policies

August 31, 2012

Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described above 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 expenditures during the reporting year. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions the Board may undertake in the future. The principal estimates used in the preparation of these consolidated financial statements are the determination of the liability for employee future benefits and the estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Algoma District School Board Notes to the Consolidated Financial Statements

August 31, 2012

1. Accounts receivable

	2012	2011
Government of Ontario	\$ 1,143,484	\$ 3,985,502
First Nations	746,676	53,126
Local governments	2,229,081	2,436,572
Other school boards	289,576	289,518
Other	2,104,979	3,891,163
	\$ 6,513,796	\$ 10,655,881

2. 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 is comprised of:

	2012	2011
Pupil accommodation	\$ 3,477,190	\$ 2,102,687
Proceeds of disposition	318	315
Provincial grants	1,886,079	1,503,642
Energy efficient capital	-	771,933
Energy efficient operating	-	1,679
Green schools pilot initiative	54,704	116,516
School condition improvement	1,804,453	-
Other	-	6,303
School funds capital	52,903	21,883
	\$ 7,275,647	\$ 4,524,958

3. Deferred capital contributions

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

	2012	2011
Balance, beginning of year	\$ 133,571,866	\$ 82,648,176
Additions to deferred capital contributions	10,864,668	55,669,163
Revenue recognized in the year	(5,507,923)	(4,745,473)
Balance, end of year	\$ 138,928,611	\$ 133,571,866

Algoma District School Board Notes to the Consolidated Financial Statements

August 31, 2012

4. Temporary borrowing

The Board had temporary borrowing consisting of Bankers Acceptance loans until March 2012 when construction was complete and long term financing obtained. Temporary borrowing is available to provide interim financing for Prohibitive to Repair (PTR) initiatives of the Ministry of Education. Total maximum interim financing under this facility is \$6,341,000, of which this entire amount was available at August 31, 2012.

The Board has a \$10 million line of credit with the CIBC for operating purposes. As at August 31, 2012, the entire amount of this line of credit was available.

5. Retirement and other employee future benefits

Liabilities	2012			2011
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligation at August 31, 2012	\$ 6,197,509	\$ 2,263,910	\$ 8,461,419	\$ 17,137,128
Unamortized actuarial gains (losses) at August 31, 2012	-	-	-	(66,791)
Employee future benefits liability at August 31, 2012 ¹	<u>\$ 6,197,509</u>	<u>\$ 2,263,910</u>	<u>\$ 8,461,419</u>	<u>\$ 17,070,337</u>

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Expenses	2012			2011
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ 306,623	\$ 638,312	\$ 944,935	\$ 1,524,398
Interest on accrued benefit obligation	238,229	328,028	566,257	549,682
Amortization of estimation adjustment loss (gain)	(1,548,398)	1,963,626	415,228	(162,233)
Curtailment gain	237,142	(8,043,069)	(7,805,927)	-
Employee Future Benefits Expenses ¹	<u>\$ (766,404)</u>	<u>\$ (5,113,103)</u>	<u>\$ (5,879,507)</u>	<u>\$ 1,911,847</u>

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Algoma District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

5. Retirement and other employee future benefits (continued)

Plan Changes

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provisions for accumulation of unused days.

Under Bill 115 effective September 1, 2013 any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded which has been the past procedure for the Algoma District School Board.

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 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. Effective January 1, 2006 employee contribution rates returned to levels of up to 9.6% of earnings. The Board contributions equals the employee contributions to the plan. During the year ended August 31, 2012, the Board contributed \$1,552,858 (2011 - \$1,366,142) 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 financial statements.

iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to certain 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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time increase to the Board's obligation of \$237,142 and a corresponding curtailment loss was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012. During the year ended August 31, 2012, the Board contributed \$1,470,660 (2011 - \$1,007,304) to the plan.

Algoma District School Board

Notes to the Consolidated Financial Statements

August 31, 2012

5. Retirement and other employee future benefits (continued)

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. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, this resulted in a one time increase to the Board's obligation of \$266,205 as at August 31, 2012. The Board contributions equals the benefit payments. During the year ended August 31, 2012, the Board contributed \$321,134 (2011 - \$542,297) to the plan.

ii) Long-term disability benefits

The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums 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 financial statements.

iii) Service gratuity

As a result of the plan changes, the Board's liability related to service gratuity benefits has been eliminated, resulting in a one-time reduction to the obligation of \$837,427 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012. During the year ended August 31, 2012, the Board contributed \$275,000 (2011 - \$126,500) to the plan.

vi) Non-vesting accumulating sick leave

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time reduction to the obligation of \$7,205,642 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012. During the year ended August 31, 2012, the Board contributed \$662,619 (2011 - \$654,095) to the plan.

The accrued benefit obligations for employee future benefit plans including retirement and post-employment insurance and long-term disability benefit plans as at August 31, 2012 are based on actuarial valuations for accounting purposes as at August 31, 2012. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2012	2011
	%	%
Wage and salary escalation	-	3.00
Discount on accrued benefit obligations	3.00	4.00

Algoma District School Board
Notes to the Consolidated Financial Statements

August 31, 2012

6. Long term debt and capital leases

Long term debt and capital leases reported on the consolidated statement of financial position comprises of the following:

	2012	2011
Long term debt		
Loan payable to Ontario Financing Authority due \$240,245 semi-annually including interest at 4.56% per annum, maturing November 2031	\$ 6,163,044	\$ 6,355,881
Loan payable to Ontario Financing Authority due \$155,955 semi-annually including interest at 4.9% per annum, (including administration fee of 0.05%), maturing March 2033	4,039,449	4,149,370
Loan payable to Ontario Financing Authority due \$98,359 semi-annually including interest at 5.062% per annum, (including administration fee of 0.05%), maturing March 2034	2,580,805	2,644,456
Loan payable to Ontario Financing Authority due \$212,322 semi-annually including interest at 5.232% per annum, (including administration fee of 0.05%), maturing April 2035	5,630,172	5,755,313
Loan payable to Ontario Financing Authority due \$25,221 semi-annually including interest at 4.833% per annum, (including administration fee of 0.03%), maturing March 2036	709,095	724,699
Loan payable to Ontario Financing Authority due \$12,495 semi-annually including interest at 4.833% per annum, (including administration fee of 0.03%), maturing March 2036	351,305	359,036
Loan payable to Ontario Financing Authority due \$2,210,929 semi-annually including interest at 3.564% per annum, (including administration fee of 0.025%), maturing March 2037	72,428,764	-
Loan payable to Chrysler Financial due \$641 monthly including interest at 8.48% per annum, maturing November 2012	1,897	9,218
Balance as at August 31	91,904,531	19,997,973

Algoma District School Board
Notes to the Consolidated Financial Statements

August 31, 2012

6. Long term debt and capital leases (continued)

Capital leases

CIT Financial Ltd. capital lease due \$85,252 annually including interest at 6.75% per annum, repaid during the year	\$	- \$	77,849
Macquarie Equipment Finance Ltd. capital lease due \$109,470 annually including interest at 6.75% per annum, maturing September 2012		102,468	198,612
CIT Financial Ltd. capital lease due \$136,516 annually including interest at 6.75% per annum, repaid during the year		-	127,883
Concentra Financial capital lease due \$22,478 annually including interest at 6.75% per annum, maturing September 2012		21,046	40,066
IBM capital lease due \$46,155 annually including interest at 4% per annum, maturing September 2012		44,345	87,052
IBM capital lease due \$36,933 annually including interest at 4% per annum, maturing September 2012		35,484	69,658
Dell Financial capital lease due \$53,663 annually including interest at 4% per annum, maturing September 2013		101,133	148,918
Pacific & Western Bank of Canada capital lease due \$139,123 annually including interest at 5.93% per annum, maturing September 2014		380,403	493,280
Lenovo Financial Services capital lease due \$24,545 annually including interest at 5.84% per annum, maturing September 2014		67,025	-
Pacific & Western Bank of Canada capital lease due \$58,064 annually including interest at 5.84% per annum, maturing September 2015		205,543	-
Compugen Finance Inc. capital lease due \$57,453 annually including interest at 5.84% per annum, maturing September 2015		203,380	-
CSI Leasing Canada capital lease due \$38,750 annually including interest at 7.83% per annum, maturing September 2013		66,911	95,095
Balance as at August 31		1,227,738	1,338,413
Long term debt and capital leases balance as at August 31	\$	93,132,269	\$ 21,336,386

Algoma District School Board
Notes to the Consolidated Financial Statements

August 31, 2012

6. Long term debt and capital leases (continued)

Capital leases (continued)

Included in the statement of financial activities is interest on long term debt and capital leases paid during the year ended August 31, 2012, of \$2,272,032 (2011 - \$1,038,602).

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

	Principal	Interest	Total
2012	\$ 2,917,641	\$ 3,588,631	\$ 6,506,272
2013	2,825,539	3,463,936	6,289,475
2014	2,850,554	3,385,301	6,235,855
2015	2,800,025	3,229,041	6,029,066
2016	2,793,717	3,117,336	5,911,053
Thereafter	78,944,793	32,884,510	111,829,303
Net debt	\$ 93,132,269	\$ 49,668,755	\$ 142,801,024

7. Accounts receivable - Government of Ontario

The Province of Ontario has replaced variable capital funding with a one-time debt support grant in 2009-2010. The Algoma District School 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 accounts receivable.

The Board has an account receivable from the Province of Ontario of \$98,980,874 as at August 31, 2012 (2011 - \$93,338,049) with respect to capital grants.

8. Accumulated surplus

Accumulated surplus consists of the following:

	2012	2011
Revenues recognized for land	\$ 624,000	\$ 624,000
Surplus available for compliance	7,476,494	8,400,051
School generated funds	1,936,124	1,860,682
Employee future benefits	(8,461,419)	(17,070,337)
Other surplus appropriated unavailable for compliance	(1,034,002)	(286,510)
	\$ 541,197	\$ (6,472,114)

Algoma District School Board Notes to the Consolidated Financial Statements

August 31, 2012

9. Areas of jurisdiction without municipal organization

The Board performs the duties of levying taxes, conducting elections of members, etc. in territory without organization. The outlay by the Board in 2011-2012 in respect of performing duties of municipal council is reported by area to the Ministry in a separate statement. Certain costs are recoverable through an offset to the local taxation revenue.

10. Expenses by object

The following is a summary of the expenses reported on the statement of operations by object:

	2012	2011
	Actual	Actual
Salary and wages	\$ 98,050,782	\$ 94,249,159
Employee benefits	6,795,044	13,679,497
Staff development	783,706	823,062
Supplies and services	13,640,793	13,113,349
Interest	2,982,876	1,830,550
Rental expenses	119,444	(35,105)
Fees and contract services	10,268,607	10,024,792
Other	325,539	249,129
Transfer to other boards	-	-
School funded activities	3,570,457	3,762,266
Amortization	6,083,418	5,345,186
	\$142,620,666	\$143,041,885

11. Ontario School Board Insurance Exchange (OSBIE)

The school 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.

12. Contingencies

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.

13. Subsequent event

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27, 2012. The requirements of this new legislation was used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in Note 5.

Algoma District School Board
Notes to the Consolidated Financial Statements

August 31, 2012

14. Tangible capital assets

	Cost		Accumulated Amortization					Net book value August 31, 2011	Net book value August 31, 2012
	Balance at August 31, 2011	Additions and transfers	Disposals	Balance at August 31, 2012	Balance at August 31, 2011	Amortization	Disposals write offs and adjustment	Balance at August 31, 2012	Net book value August 31, 2012
Land	\$ 624,000	\$ -	\$ -	\$ 624,000	\$ -	\$ -	\$ -	\$ -	\$ 624,000
Land improvements	5,029,383	5,269,891	-	10,299,274	1,017,719	525,610	-	1,543,329	8,755,945
Buildings (40 years)	98,226,393	74,309,314	-	172,535,707	42,941,362	4,142,874	-	47,084,236	125,451,471
Portable structures	651,080	-	143,800	507,280	341,361	29,473	143,800	227,034	280,246
Equipment (5 years)	49,437	-	17,584	31,853	29,404	8,129	17,584	19,949	11,904
Equipment (10 years)	1,382,145	100,815	76,290	1,406,670	666,681	139,441	76,290	729,832	676,838
Equipment (15 years)	194,136	20,336	-	214,472	98,672	13,620	-	112,292	102,180
First-time equipping (10 years)	1,129,968	501,799	-	1,631,767	-	81,588	-	81,588	1,550,179
Furniture	42,031	-	-	42,031	22,004	4,203	-	26,207	15,824
Computer hardware	1,516,768	120,122	185,709	1,451,181	545,400	296,795	185,709	656,486	794,695
Computer software	385,194	9,846	178,275	216,765	251,015	60,196	178,275	132,936	83,829
Vehicles	135,766	86,791	34,075	188,482	81,914	32,425	34,075	80,264	108,218
Capital leases:									
- computer hardware (4 years)	1,291,664	92,100	837,342	546,422	821,497	345,941	837,342	330,096	216,326
- computer hardware (5 years)	1,488,678	526,935	-	2,015,613	588,581	403,123	-	991,704	1,023,909
Construction in progress	70,174,483	6,209,524	76,382,803	1,204	-	-	-	-	1,204
	\$ 182,321,126	\$ 87,247,473	\$ 77,855,878	\$ 191,712,721	\$ 47,405,610	\$ 6,083,418	\$ 1,473,075	\$ 52,015,953	\$ 139,696,768
									\$ 134,915,516

Assets under construction have not been amortized. Amortization of these assets will commence when the asset is put into service.