

Consolidated Financial Statements of

**ALGONQUIN AND LAKESHORE
CATHOLIC DISTRICT SCHOOL
BOARD**

Year ended August 31, 2017

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2017

Management's Responsibility for the Consolidated Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

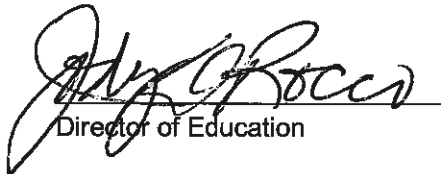
The accompanying consolidated financial statements of the Algonquin and Lakeshore Catholic District School Board are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and 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.

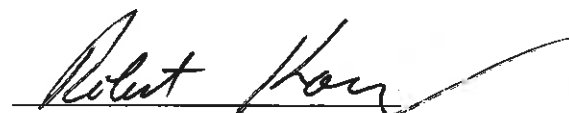
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis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

The audit committee of 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 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 Finance and
Business Services

November 28, 2017



KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Algonquin and Lakeshore Catholic District School Board

We have audited the accompanying consolidated financial statements of the Algonquin and Lakeshore Catholic 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 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 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 Algonquin and Lakeshore Catholic District School Board as at 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 horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the right end.

Chartered Professional Accountants, Licensed Public Accountants

November 28, 2017

Kingston, Canada

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD


Consolidated Statement of Financial Position

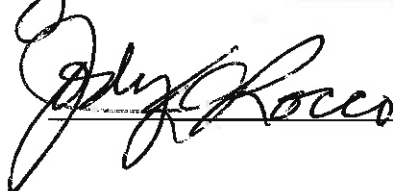
August 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 10,296,582	\$ 16,163,789
Temporary investments	6,448,848	6,361,290
Accounts receivable:		
Municipalities	2,579,588	2,626,263
Province of Ontario - approved capital (note 2)	37,818,215	31,363,397
Other	3,880,630	3,855,347
Total financial assets	61,023,863	60,370,086
Financial liabilities:		
Accounts payable and accrued liabilities	10,281,965	8,031,764
Net long-term liabilities (note 6)	28,687,539	29,842,395
Deferred revenue (note 3)	9,612,533	10,256,856
Employee benefits payable (note 5)	8,515,011	9,758,604
Deferred capital contributions (note 4)	111,200,842	103,982,868
Total financial liabilities	168,297,890	161,872,487
Net debt	(107,274,027)	(101,502,401)
Non-financial assets:		
Tangible capital assets (note 16)	117,345,855	110,188,114
Commitments (notes 10 and 11)		
Contingent liabilities (notes 12 and 13)		
Accumulated surplus (note 8)	\$ 10,071,828	\$ 8,685,713

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board:

 Chair

 Director of Education

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

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

	2017 Budget	2017	2016
Revenues:			
Provincial grants:			
Student focused funding	\$ 136,191,297	\$ 137,370,761	\$ 134,987,431
Other	2,153,812	2,480,187	2,419,020
Federal grants and fees	472,457	517,489	548,363
Other - school boards	-	11,391	29,040
Investment income	230,000	188,344	221,495
Other	727,641	1,455,649	1,284,936
School fundraising	4,575,451	4,462,788	4,369,742
Amortization of deferred capital contributions (note 4)	5,713,719	6,068,412	5,735,944
	150,064,377	152,555,021	149,595,971
Expenses (note 9):			
Instruction	108,985,415	111,000,724	109,427,963
Administration	5,228,476	5,531,298	5,134,044
Transportation (note 15)	11,017,220	10,434,302	9,839,542
Pupil accommodation	19,135,966	19,715,358	18,983,643
Other	116,347	116,347	116,347
School funded activities	4,681,878	4,370,877	4,480,178
	149,165,302	151,168,906	147,981,717
Annual surplus	899,075	1,386,115	1,614,254
Accumulated surplus, beginning of year	8,685,713	8,685,713	7,071,459
Accumulated surplus, end of year (note 8)	\$ 9,584,788	\$ 10,071,828	\$ 8,685,713

The accompanying notes are an integral part of these consolidated financial statements.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

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

	2017	2016
Annual surplus	\$ 1,386,115	\$ 1,614,254
Acquisition of tangible capital assets	(13,925,284)	(6,209,491)
Amortization of tangible capital assets	6,128,645	5,796,177
Loss on disposal of tangible capital assets	558,686	-
Proceeds on sale of tangible capital assets	80,212	1,896,112
Gain on sale of tangible capital assets allocated to deferred revenue	-	(1,808,572)
	(7,157,741)	(325,774)
Change in net debt	(5,771,626)	1,288,480
Net debt, beginning of year	(101,502,401)	(102,790,881)
Net debt, end of year	\$ (107,274,027)	\$ (101,502,401)

The accompanying notes are an integral part of these consolidated financial statements.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

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

	2017	2016
Operating transactions:		
Annual surplus	\$ 1,386,115	\$ 1,614,254
Non-cash items including:		
Amortization of tangible capital assets	6,128,645	5,796,177
Loss on disposal of tangible capital assets	558,687	-
Amortization of deferred capital contributions	(6,068,412)	(5,735,944)
Gain on sale of tangible capital assets allocated to deferred revenue	-	(1,808,572)
Change in non-cash assets and liabilities:		
Increase in temporary investments	(87,558)	(74,299)
Decrease (increase) in accounts receivable	21,392	(491,597)
Increase in accounts payable and accrued liabilities	2,250,201	1,560,091
Decrease in deferred revenue	(644,323)	(309,679)
Decrease in employee benefits payable	(1,243,593)	(1,359,603)
	915,039	(2,423,426)
Cash provided by (applied to) to operating transactions	2,301,154	(809,172)
Capital transactions:		
Cash used to acquire tangible capital assets	(13,925,285)	(6,209,491)
Proceeds on sale of tangible capital assets	80,212	1,896,112
Cash applied to capital transactions	(13,845,073)	(4,313,379)
Financing transactions:		
Debt repayment	(1,154,856)	(1,107,586)
Decrease (increase) in accounts receivable - Province of Ontario - approved capital	(6,454,818)	115,426
Additions to deferred capital contributions	13,286,386	6,121,951
Cash provided by financing transactions	5,676,712	5,129,791
Increase (decrease) in cash	(5,867,207)	7,240
Cash, beginning of year	16,163,789	16,156,549
Cash, end of year	\$ 10,296,582	\$ 16,163,789

The accompanying notes are an integral part of these consolidated financial statements.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2017

1. Significant accounting policies:

The consolidated financial statements of the Algonquin and Lakeshore Catholic District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below.

(a) Basis of accounting:

These 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 of 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 consolidated statement of operations and accumulated surplus 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 amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions included 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

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- property tax revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(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.

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, have been reflected in the consolidated financial statements.

(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) Temporary 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.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

(e) 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.

Tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 to 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction and assets that relate to pre-acquisition and pre-construction are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. 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. Cost includes amounts for improvements to prepare the land for sale or servicing. Other assets permanently removed from service cease to be amortized and the carrying value is written down to the residual value.

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(f) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement that 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.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

(g) 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 capital assets received or receivable for use in providing services, shall be recognized as deferred capital contributions 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.

(h) Retirement and other employee future benefits:

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

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trust (ELHT) was established in 2016-17: OECTA. The ELHT provides health, life and dental benefits to teachers (excluding daily occasional teachers, education workers (excluding casual and temporary staff)), other schools board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting June 1, 2017, the Board is no longer responsible to provide certain benefits to OECTA. 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. Funding for the ELHT is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

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

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups, CUPE and non-unionized employees including principals and vice-principals, and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans.

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. 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. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

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

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

- (i) Accumulated surplus - available for compliance, internally appropriated:

Certain amounts, as approved by the Board Trustees, are set aside as internally appropriated funds for future operating and capital purposes. Transfers to and/or from internally appropriated funds are an adjustment to the respective fund when approved.

- (j) 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 and recognized as revenue in the consolidated statement of operations at the same rate over the same periods as the asset is amortized.

- (k) Investment income:

Investment income is reported as revenue in the period earned.

Investment income earned on externally appropriated funds such as pupil accommodation, special education, energy efficient schools capital and proceeds of disposition, when required by the funding government or related Act, is added to the fund balance and forms part of the respective deferred revenue balances.

- (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.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

1. Significant accounting policies (continued):

(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 amount 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 these current estimates. Significant estimates include assumptions used in performing actuarial valuations of employee benefits payable.

These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

(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 Grants - Student focused funding.

2. Accounts receivable - Province of Ontario:

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

The Board has an account receivable from the Province of Ontario of \$37,818,215 as at August 31, 2017 (2016 - \$31,363,397) with respect to capital grants.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

3. Deferred revenue:

Revenue 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 is set aside for specific purposes by legislation, regulation or agreement as at August 31, 2017 and is comprised of:

	Balance as at August 31, 2016	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2017
Education development charges	\$ 769,901	\$ 100,757	\$ —	\$ —	\$ 870,658
Proceeds of disposition	1,902,445	84,128	—	—	1,986,573
Improved access for special education	42,639	428	—	—	43,067
School condition improvement	472,601	—	—	(472,601)	—
School renewal	511,449	2,208,426	(897,880)	(590,216)	1,231,779
Retrofitting school space for childcare	347,933	—	—	—	347,933
Restricted grant revenue	6,209,888	21,994,325	(23,071,690)	—	5,132,523
Total deferred revenue	\$ 10,256,856	\$ 24,388,064	\$(23,969,570)	\$ (1,062,817)	\$ 9,612,533

(a) Education development charges:

Education development charges (EDC's) are used to fund the acquisition of school sites, and site related costs to accommodate growth-related pupil places. EDC's are collected by the Corporation of the City of Kingston on behalf of the Board.

(b) Proceeds on disposition:

The proceeds on disposition deferred revenue is composed of proceeds generated from the sale of schools. The Board intends to use this amount to fund future capital costs related to Board facilities.

(c) Improved access for special education:

The Province has provided specific funds to be used for improved access for special education. Any amount not spent by year end must be deferred for use in future years.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

3. Deferred revenue (continued):

(d) School conditions improvement:

The Province provides specific capital funding to address its costs of improving the condition of school sites and buildings.

(e) School renewal:

The Province provides specific funding to address the costs of repairing and renovating schools.

(f) Retrofitting school space for childcare:

Amounts received for future capital investments to repurpose existing childcare spaces or space not required for instructional purposes in schools to serve children aged 0 to 3.8 years.

(g) Restricted grant revenue:

Other deferred revenue includes many specific program amounts, both capital and operating, from the Ministry of Education.

4. Deferred capital contributions:

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

	2017	2016
Balance, beginning of year	\$ 103,982,868	\$ 103,596,861
Additions to deferred capital contributions	13,286,386	6,121,951
Revenue recognized in the period	(6,068,412)	(5,735,944)
Balance, end of year	\$ 111,200,842	\$ 103,982,868

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

5. 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 most recent valuation of the employee future benefits was completed as at August 31, 2016.

(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 \$2,075,173 (2016 - \$2,086,252) 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.

(iii) Post-employment life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to certain employee groups after retirement until the member reaches 65 years of age. The premiums are based on the Board's 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.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

5. Retirement and other employee future benefits (continued):

(a) Retirement benefits (continued):

(iv) Retirement gratuities and benefits:

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 gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service as at August 31, 2012.

The Board has a liability related to these retirement gratuities and benefits. At August 31, 2017, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$6,964,422 (2016 - \$7,782,987). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$4,397,177 (2016 - \$5,862,903) for retirement gratuities and benefits as at August 31, 2017.

(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. School boards are required to provide a salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

(ii) 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 consolidated financial statements are \$6,480 (2016 - \$15,422).

For accounting purposes, 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.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

5. Retirement and other employee future benefits (continued):

(b) Other employee future benefits (continued):

(iii) Long-term disability benefits:

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.

(iv) Vacation pay:

The amount of unused vacation days accrued as of August 31, 2017 is \$1,201,766 (2016 - \$1,280,124). Vacation pay is included in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

The accrued benefit liabilities for employee future benefit plans as at August 31, 2017 are based on actuarial assumptions about future events determined for accounting purposes as at August 31, 2017 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
	%	%
Health care cost escalation ¹	7.75	8.00
Dental cost escalation ²	3.75	4.00
Discount on accrued benefit obligations	2.55	2.05
Inflation rate	1.50	1.50

¹ Health care escalation of 7.75% for 2016-17, and decreasing by ¼% per annum to 4.00%.

² Dental care escalation of 3.75% for 2016-17, decreasing by ¼% per annum to 3.00%.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

5. Retirement and other employee future benefits (continued):

(b) Other employee future benefits (continued):

					2017	2016
	Retirement gratuity benefits	Other post- retirement benefit expenses	Carry-over sick leave benefits	Continuing benefits on long-term disability	Total retirement and post- retirement benefits	Total retirement and post- retirement benefits
Accrued benefit liability						
September 1	\$ 7,782,988	\$ 332,611	\$ 48,302	\$ 473,326	\$ 8,637,227	\$10,054,994
Current year benefit cost	–	–	54,782	(237,989)	(183,207)	246,499
Change due to voluntary early retirement	–	–	–	–	–	(114,239)
Net amortization of actuarial losses (gains)	154,764	(2,837)	6,234	–	158,161	15,400
Interest on accrued benefit obligation	167,571	5,872	–	6,816	180,259	243,707
Benefit payments	(1,140,901)	(92,278)	(54,536)	(43,676)	(1,331,391)	(1,809,134)
Accrued benefit liability						
August 31	6,964,422	243,368	54,782	198,477	7,461,049	8,637,227
Net employee future benefit expenses	\$ (818,566)	\$ (89,243)	\$ 6,480	\$ (274,849)	\$ (1,176,178)	\$ (1,417,767)

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

5. Retirement and other employee future benefits (continued):

(b) Other employee future benefits (continued):

Retirement and other employee future benefit obligations are comprised of:

	2017	2016
Retirement gratuity benefits	\$ 6,964,422	\$ 7,782,988
Post-retirement benefits	243,368	332,611
Carry-over sick leave benefit	54,782	48,302
Continuing benefits while on long-term disability	198,477	473,326
	7,461,049	8,637,227
Workplace safety and insurance	1,053,962	1,121,377
	\$ 8,515,011	\$ 9,758,604
	2017	2016
Accrued employee future benefit obligations at August 31	\$ 9,154,577	\$ 10,720,271
Unamortized actuarial losses at August 31	(639,566)	(961,667)
Employee future benefits liability at August 31	\$ 8,515,011	\$ 9,758,604

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

6. Net long-term liabilities:

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

	2017	2016
Debentures	\$ 28,687,539	\$ 29,842,395

Principal payments relating to net long-term liabilities of \$28,687,539 (2016 - \$29,842,395) outstanding as at August 31, 2017 are due as follows:

	Principal	Interest	Total
2017-2018	\$ 1,204,200	\$ 1,157,076	\$ 2,361,276
2018-2019	1,255,711	1,105,566	2,361,277
2019-2020	1,309,486	1,051,791	2,361,277
2020-2021	1,365,233	995,651	2,360,884
2021-2022	1,424,259	938,058	2,362,317
Thereafter	22,128,650	6,312,725	28,441,375
	\$ 28,687,539	\$ 11,560,867	\$ 40,248,406

The respective interest rates on the debentures range from 3.0% to 5.2% and the respective maturity dates on the debentures range from 2030 to 2040.

7. Debt charges and capital loans interest:

The expenditure for debt charges and capital loans interest, includes principal and interest payments as follows:

	2017	2016
Principal payments on long-term liabilities	\$ 1,154,856	\$ 1,107,586
Interest payments on long-term liabilities	1,196,446	1,245,474
	\$ 2,351,302	\$ 2,353,060

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

8. Accumulated surplus:

Accumulated surplus consists of the following:

	2017	2016
Available for compliance - unappropriated:		
Operating accumulated surplus	\$ 258,147	\$ 317,547
Available for compliance - internally appropriated:		
School renewal	1,285,860	1,285,860
Other purposes - operating:		
School expenses	1,471,506	1,533,367
Technology	1,908,144	1,908,144
Workplace Safety Insurance Board	800,000	800,000
Declining enrolment	1,014,995	1,014,995
Program and service enhancements	1,100,000	1,100,000
Other purposes - capital:		
Committed - capital projects	2,054,466	2,114,699
	<u>9,893,118</u>	<u>10,074,612</u>
Unavailable for compliance:		
Employee future benefits	(5,115,144)	(6,580,870)
Interest to be accrued	(250,512)	(260,489)
School generated funds	1,453,818	1,361,912
Revenue recognized for land	4,090,548	4,090,548
	<u>178,710</u>	<u>(1,388,899)</u>
	<u>\$ 10,071,828</u>	<u>\$ 8,685,713</u>

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

9. 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
Expenses:			
Salary and wages	\$ 98,108,303	\$ 99,292,239	\$ 98,100,737
Employee benefits	14,470,492	14,501,440	14,623,631
Staff development	683,471	1,135,103	996,905
Supplies and services	9,816,716	9,480,059	9,804,222
Interest on long-term debt	1,197,139	1,196,446	1,245,474
Rental expenses	402,230	423,175	426,920
Fees and contract services	13,842,634	13,814,537	12,256,279
Amortization, write-downs and loss on disposal	5,713,719	6,687,332	5,796,177
Other	248,750	267,708	251,194
	\$ 144,483,454	\$ 146,798,039	\$ 143,501,539
School activities	\$ 4,681,878	\$ 4,370,867	\$ 4,480,178
Total expenses	\$ 149,165,332	\$ 151,168,906	\$ 147,981,717

10. Lease commitments:

The Board is committed under certain operating lease agreements to minimum lease payments as follows:

2017-2018	\$ 217,441
2018-2019	110,336
2019-2020	500
2020-2021	500
2021-2022	500
	\$ 329,277

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

11. Commitments:

(a) Repayment of "55 School Board Trust" Funding:

On June 1, 2003, the Board received \$10,286,245 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed ("NPF") debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt. An amount of \$116,347 (2016 - \$116,347) funded by the province is reflected on the consolidated statement of operations and accumulated deficit.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

(b) Wide area network:

The Board has entered into an arrangement for wide area network access. The agreement expires in November 2023 and annual charges are \$282,090.

(c) St. Francis of Assisi Catholic School:

The Board is currently constructing a new elementary school in Kingston, Ontario. The Ministry of Education has approved a total budget of \$8,981,907 and has agreed to fund this amount. The Board has entered into a construction contract for \$7,832,000. As at August 31, 2017, \$8,390,657 (2016 - \$1,876,139) has been spent on this project and is included in tangible capital assets. In September 2017 this school was put into service.

12. 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 reciprocals 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.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

13. Contingent liabilities:

(a) Litigation:

The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

(b) Letters of credit:

The Board has provided security in the form of letters of credit, on behalf of various parties. As of the year end date, the total balances outstanding were \$957,273 (2016 - \$957,273).

14. Trust funds:

(a) The Board was the trustee for \$475,954 (2016 - \$276,025) held for employee's self-funded leave plans. These amounts are not included in the consolidated financial statements.

(b) The Board held certain trust and donated funds amounting to \$696,509 (2016 - \$609,381). These amounts are not included in the consolidated financial statements.

15. Related entities:

Tri-Board Student Transportation Services:

The Board has a one-third economic interest in Tri-Board Student Transportation Services ("Tri-Board"). Tri-Board's principal activity is to provide student transportation for three school boards including, Algonquin and Lakeshore Catholic District School Board. Related party transactions with Tri-Board Student Transportation Services during the year, not separately disclosed in the consolidated financial statements, include the following:

(a) The Board purchased student transportation services totalling \$10,220,371 (2016 - \$9,839,542).

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

15. Related entities (continued):

Tri-Board's assets, liabilities, revenue, expenses and deficit for the year ended August 31, 2017 are as follows:

	2017	2016
Financial assets	\$ 3,504,887	\$ 1,008,760
Financial liabilities	(3,838,849)	(1,274,777)
Net debt	(333,962)	(266,017)
Non-financial assets	286,490	200,409
Accumulated deficit	\$ (47,472)	\$ (65,608)
	2017	2016
Revenue	\$ 37,493,340	\$ 38,067,846
Expenses	37,475,204	38,132,013
Accumulated deficit	\$ 18,136	\$ (64,167)

16. Tangible capital assets:

Amortization is calculated on a straight-line basis over the estimated useful life of the tangible capital assets as follows:

Cost	Balance at August 31, 2016	Additions	Disposals, write-downs and adjustments	Balance at August 31, 2017
Land	\$ 4,090,548	\$ -	\$ -	\$ 4,090,548
Land improvements	2,493,687	48,679	-	2,542,366
Buildings	147,750,766	5,496,833	1,431,390	151,816,209
Portable structures	5,701,653	422,090	515,100	5,608,643
First-time equipping of schools	577,601	-	7,587	570,014
Furniture	211,972	416,342	-	628,314
Equipment	834,214	106,561	19,323	921,452
Computer hardware	4,861,786	827,889	703,419	4,986,256
Computer software	495,243	66,092	98,091	463,244
Vehicles	234,055	26,281	-	260,336
Pre-acquisition costs	690,244	-	-	690,244
Assets under construction	1,185,895	6,514,518	-	7,700,413
Total	\$ 169,127,664	\$ 13,925,285	\$ 2,774,910	\$ 180,278,039

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2017

16. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2016	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2017
Land improvements	\$ 726,021	\$ 166,692	\$ –	\$ 892,713
Buildings	52,151,757	4,456,324	792,492	55,815,589
Portable structures	2,970,661	284,315	515,100	2,739,876
First-time equipping of schools	225,515	57,533	7,587	275,461
Furniture	59,609	30,804	–	90,413
Equipment	354,999	66,262	19,323	401,938
Computer hardware	2,011,911	972,622	703,419	2,281,114
Computer software	301,713	75,943	98,091	279,565
Vehicles	137,364	18,151	–	155,515
Total	\$ 58,939,550	\$ 6,128,646	\$ 2,136,012	\$ 62,932,184

	Net book value August 31, 2016	Net book value August 31, 2017
Land	\$ 4,090,548	\$ 4,090,548
Land improvements	1,767,666	1,649,653
Buildings	95,599,009	96,000,620
Portable structures	2,730,992	2,868,767
First-time equipping of schools	352,086	294,553
Furniture	152,363	537,901
Equipment	479,215	519,514
Computer hardware	2,849,875	2,705,142
Computer software	193,530	183,679
Vehicles	96,691	104,821
Pre-acquisition costs	690,244	690,244
Assets under construction	1,185,895	7,700,413
Total	\$ 110,188,114	\$ 117,345,855

(a) Assets under construction and pre-acquisition costs:

Assets under construction and pre-acquisition costs having a total value of \$8,390,657 (2016 - \$1,876,139) have not been amortized. Amortization of these assets will commence when the asset is put into service.