

Consolidated Financial Statements of

**ALGONQUIN AND LAKESHORE
CATHOLIC DISTRICT SCHOOL
BOARD**

Year ended August 31, 2018

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2018

Management's Responsibility for the Consolidated Financial Statements

Independent Auditors' Report

Consolidated Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

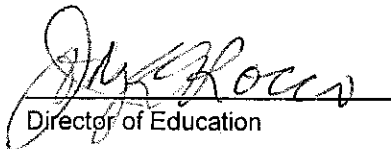
The accompanying consolidated financial statements of the Algonquin and Lakeshore Catholic District School Board are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and 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 27, 2018



KPMG LLP
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Kingston ON K7L 5N4
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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, 2018, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation 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, 2018, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

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

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 27, 2018

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD


Consolidated Statement of Financial Position


August 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Financial assets: | | |
| Cash | \$ 16,401,426 | \$ 10,296,582 |
| Temporary investments | - | 6,448,848 |
| Accounts receivable: | | |
| Municipalities | 2,691,278 | 2,579,588 |
| Province of Ontario - approved capital (note 2) | 33,837,613 | 37,818,215 |
| Other | 5,587,253 | 3,880,630 |
| Total financial assets | 58,517,570 | 61,023,863 |
| Financial liabilities: | | |
| Accounts payable and accrued liabilities | 9,041,790 | 10,281,965 |
| Net long-term liabilities (note 6) | 27,483,339 | 28,687,539 |
| Deferred revenue (note 3) | 8,841,014 | 9,612,533 |
| Employee benefits payable (note 5) | 7,749,766 | 8,515,011 |
| Deferred capital contributions (note 4) | 116,130,780 | 111,200,842 |
| Total financial liabilities | 169,246,689 | 168,297,890 |
| Net debt | (110,729,119) | (107,274,027) |
| Non-financial assets: | | |
| Tangible capital assets (note 15) | 122,215,561 | 117,345,855 |
| Commitments (notes 9 and 10) | | |
| Contingent liabilities (notes 11 and 12) | | |
| Accumulated surplus (note 7) | \$ 11,486,442 | \$ 10,071,828 |

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, 2018, with comparative information for 2017

| | 2018 Budget | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|
| Revenues: | | | |
| Provincial grants: | | | |
| Student focused funding | \$ 142,690,018 | \$ 141,285,262 | \$ 137,370,761 |
| Other | 1,755,878 | 5,417,786 | 2,480,187 |
| Federal grants and fees | 534,140 | 553,821 | 517,489 |
| Other - school boards | - | 97,241 | 11,391 |
| Investment income | 200,000 | 244,597 | 188,344 |
| Other | 1,337,001 | 1,261,699 | 1,455,649 |
| School fundraising | 4,369,742 | 4,270,622 | 4,462,788 |
| Amortization of deferred capital contributions (note 4) | 6,279,450 | 6,805,006 | 6,068,412 |
| | <u>157,166,229</u> | <u>159,936,034</u> | <u>152,555,021</u> |
| Expenses (note 8): | | | |
| Instruction | 115,674,933 | 115,585,673 | 111,000,724 |
| Administration | 5,621,571 | 6,140,066 | 5,531,298 |
| Transportation (note 14) | 10,959,366 | 10,801,562 | 10,434,302 |
| Pupil accommodation | 19,507,353 | 20,067,395 | 19,715,358 |
| Other | 116,347 | 1,779,107 | 116,347 |
| School funded activities | 4,480,178 | 4,147,617 | 4,370,877 |
| | <u>156,359,748</u> | <u>158,521,420</u> | <u>151,168,906</u> |
| Annual surplus | 806,481 | 1,414,614 | 1,386,115 |
| Accumulated surplus, beginning of year | 10,071,828 | 10,071,828 | 8,685,713 |
| Accumulated surplus, end of year (note 7) | <u>\$ 10,878,309</u> | <u>\$ 11,486,442</u> | <u>\$ 10,071,828</u> |

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, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|------------------|------------------|
| Annual surplus | \$ 1,414,614 | \$ 1,386,115 |
| Acquisition of tangible capital assets | (11,734,944) | (13,925,284) |
| Amortization of tangible capital assets | 6,865,238 | 6,128,645 |
| Loss on disposal of tangible capital assets | – | 558,686 |
| Proceeds on sale of tangible capital assets | – | 80,212 |
| | (4,869,706) | (7,157,741) |
| Change in net debt | (3,455,092) | (5,771,626) |
| Net debt, beginning of year | (107,274,027) | (101,502,401) |
| Net debt, end of year | \$ (110,729,119) | \$ (107,274,027) |

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, 2018, with comparative information for 2017

| | 2018 | 2017 |
|---|---------------|---------------|
| Operating transactions: | | |
| Annual surplus | \$ 1,414,614 | \$ 1,386,115 |
| Non-cash items including: | | |
| Amortization of tangible capital assets | 6,865,238 | 6,128,645 |
| Loss on disposal of tangible capital assets | – | 558,687 |
| Amortization of deferred capital contributions | (6,805,006) | (6,068,412) |
| Change in non-cash assets and liabilities: | | |
| Decrease (increase) in temporary investments | 6,448,848 | (87,558) |
| Decrease (increase) in accounts receivable | (1,818,313) | 21,392 |
| Increase (decrease) in accounts payable and accrued liabilities | (1,240,175) | 2,250,201 |
| Decrease in deferred revenue | (771,519) | (644,323) |
| Decrease in employee benefits payable | (765,245) | (1,243,593) |
| | 1,913,828 | 915,039 |
| Cash provided by operating transactions | 3,328,442 | 2,301,154 |
| Capital transactions: | | |
| Cash used to acquire tangible capital assets | (11,734,944) | (13,925,285) |
| Proceeds on sale of tangible capital assets | – | 80,212 |
| Cash applied to capital transactions | (11,734,944) | (13,845,073) |
| Financing transactions: | | |
| Debt repayment | (1,204,200) | (1,154,856) |
| Decrease (increase) in accounts receivable - Province of Ontario - approved capital | 3,980,602 | (6,454,818) |
| Additions to deferred capital contributions | 11,734,944 | 13,286,386 |
| Cash provided by financing transactions | 14,511,346 | 5,676,712 |
| Increase (decrease) in cash | 6,104,844 | (5,867,207) |
| Cash, beginning of year | 10,296,582 | 16,163,789 |
| Cash, end of year | \$ 16,401,426 | \$ 10,296,582 |

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, 2018

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 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 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 include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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, 2018

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 estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. 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. Other assets permanently removed from service cease to be amortized and the carrying value is written down to the residual value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

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, 2018

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 following ELHTs were established in 2017-18: CUPE-EWBT and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to OECTA effective June 1, 2017, CUPE effective March 1, 2018, principals and vice-principals effective April 1, 2018, other non-unionized employees effective June 1, 2018 and retirees effective June 1, 2018. Upon transition of the employee groups' health, dental and life benefit plans to the EHLT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

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

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

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 accumulated 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, 2018

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.

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.

- (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, 2018

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 estimates. Significant estimates include assumptions used in performing actuarial valuations of employee benefits payable.

(n) Property tax revenue:

Under Canadian 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 \$33,837,613 as at August 31, 2018 (2017 - \$37,818,215) with respect to capital grants.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

3. 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 is set aside for specific purposes by legislation, regulation or agreement as at August 31, 2018 and is comprised of:

| | Balance as at August 31, 2017 | Externally restricted revenue and investment income | Revenue recognized in the period | Transfers to deferred capital contributions | Balance as at August 31, 2018 |
|---|-------------------------------|---|----------------------------------|---|-------------------------------|
| Education development charges | \$ 870,658 | \$ 194,717 | \$ — | \$ — | \$ 1,065,375 |
| Proceeds of disposition | 1,986,573 | — | — | — | 1,986,573 |
| Improved access for special education | 43,067 | — | — | — | 43,067 |
| School renewal | 1,231,779 | 2,193,480 | (912,754) | (1,131,731) | 1,380,774 |
| Retrofitting school space for childcare | 347,933 | — | — | — | 347,933 |
| Restricted grant revenue | 5,132,523 | 21,446,612 | (22,561,843) | — | 4,017,292 |
| Total deferred revenue | \$ 9,612,533 | \$ 23,834,809 | \$(23,474,597) | \$ (1,131,731) | \$ 8,841,014 |

(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 of disposition:

The proceeds of 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, 2018

3. Deferred revenue (continued):

(d) School condition 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. The contributions are amortized into revenue over the useful life of the asset acquired.

| | 2018 | 2017 |
|---|-----------------------|-----------------------|
| Balance, beginning of year | \$ 111,200,842 | \$ 103,982,868 |
| Additions to deferred capital contributions | 11,734,944 | 13,286,386 |
| Revenue recognized in the period | (6,805,006) | (6,068,412) |
| Balance, end of year | \$ 116,130,780 | \$ 111,200,842 |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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, 2018, the Board contributed \$2,156,083 (2017 - \$2,075,173) 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, 2018

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, 2018, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$6,088,733 (2017 - \$6,964,421).

(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 \$3,058 (2017 - \$6,480).

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, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(b) Other employee future benefits (continued):

(iii) Long-term disability benefits:

As at August 31, 2018 there are no employee groups remaining for which the Board is responsible for providing health, dental, and life insurance benefits while on long-term disability and as a result, the liability for this benefit has been eliminated.

(iv) Vacation pay:

The amount of unused vacation days accrued as of August 31, 2018 is \$1,380,139 (2017 - \$1,201,766). Vacation pay is included in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

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

| | 2018 | 2017 |
|--|------|------|
| | % | % |
| Health care cost escalation ¹ | 7.75 | 7.75 |
| Dental cost escalation ² | 3.75 | 3.75 |
| Discount on accrued benefit obligations | 2.90 | 2.55 |
| Inflation rate | 1.50 | 1.50 |

¹ Health care escalation of 7.75% for 2017-18, and decreasing by ¼% per annum to 4.00%.

² Dental care escalation of 3.75% for 2017-18, 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, 2018

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

(b) Other employee future benefits (continued):

| | | | | | 2018 | 2017 |
|--|------------------------------------|---|--------------------------------------|---|--|--|
| | 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 | \$ 6,964,421 | \$ 243,369 | \$ 54,782 | \$ 198,477 | \$ 7,461,049 | \$ 8,637,227 |
| Current year benefit cost | – | – | 57,840 | (184,709) | (126,869) | (183,207) |
| Change due to benefit reinstatement | – | 375,092 | – | – | 375,092 | – |
| Net amortization of actuarial losses (gains) | 124,179 | (1,347) | (8,245) | – | 114,587 | 158,161 |
| Interest on accrued benefit obligation | 178,873 | 5,183 | – | 2,499 | 186,555 | 180,259 |
| Benefit payments | (1,178,740) | (80,254) | (46,537) | (16,267) | (1,321,798) | (1,331,391) |
| Accrued benefit liability | | | | | | |
| August 31 | 6,088,733 | 542,043 | 57,840 | – | 6,688,616 | 7,461,049 |
| Net employee future benefit expenses | \$ (875,688) | \$ 298,674 | \$ 3,058 | \$(198,477) | \$(772,433) | \$(1,176,178) |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(b) Other employee future benefits (continued):

Retirement and other employee future benefit obligations are comprised of:

| | 2018 | 2017 |
|--|--------------|--------------|
| Retirement gratuity benefits | \$ 6,088,733 | \$ 6,964,422 |
| Post-retirement benefits | 542,043 | 243,368 |
| Carry-over sick leave benefit | 57,840 | 54,782 |
| Continuing benefits while on long-term disability | – | 198,477 |
| | 6,688,616 | 7,461,049 |
| Workplace safety and insurance | 1,061,150 | 1,053,962 |
| | \$ 7,749,766 | \$ 8,515,011 |
| | 2018 | 2017 |
| Accrued employee future benefit obligations at August 31 | \$ 8,166,840 | \$ 9,154,577 |
| Unamortized actuarial losses at August 31 | (417,074) | (639,566) |
| Employee future benefits liability at August 31 | \$ 7,749,766 | \$ 8,515,011 |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

6. Net long-term liabilities:

Net long-term liabilities reported on the consolidated statement of financial position consist of the following:

| | 2018 | 2017 |
|------------|---------------|---------------|
| Debentures | \$ 27,483,339 | \$ 28,687,539 |

Principal and interest payments relating to net long-term liabilities of \$27,483,339 (2017 - \$28,687,539) outstanding as at August 31, 2018 are due as follows:

| | Principal | Interest | Total |
|------------|---------------|---------------|---------------|
| 2018-2019 | \$ 1,255,711 | \$ 1,105,566 | \$ 2,361,277 |
| 2019-2020 | 1,309,486 | 1,051,791 | 2,361,277 |
| 2020-2021 | 1,365,626 | 995,651 | 2,361,277 |
| 2021-2022 | 1,424,239 | 938,039 | 2,362,278 |
| 2022-2023 | 1,485,435 | 875,841 | 2,361,276 |
| Thereafter | 20,642,842 | 5,436,903 | 26,079,745 |
| | \$ 27,483,339 | \$ 10,403,791 | \$ 37,887,130 |

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.

Interest on long-term debt amounted to \$1,147,409 (2017 - \$1,196,446).

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

7. Accumulated surplus:

Accumulated surplus consists of the following:

| | 2018 | 2017 |
|---|----------------------|----------------------|
| Available for compliance - unappropriated: | | |
| Operating accumulated surplus | \$ 364,673 | \$ 258,147 |
| Available for compliance - internally appropriated: | | |
| School renewal | 1,285,860 | 1,285,860 |
| Other purposes - operating: | | |
| School expenses | 1,241,414 | 1,471,506 |
| 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 | 1,994,233 | 2,054,466 |
| | <u>9,709,319</u> | <u>9,893,118</u> |
| Unavailable for compliance: | | |
| Employee future benefits | (3,649,418) | (5,115,144) |
| Interest to be accrued | (240,845) | (250,512) |
| School generated funds | 1,576,838 | 1,453,818 |
| Revenue recognized for land | 4,090,548 | 4,090,548 |
| | <u>1,777,123</u> | <u>178,710</u> |
| | <u>\$ 11,486,442</u> | <u>\$ 10,071,828</u> |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Expenses by object:

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

| | 2018 Budget | 2018 Actual | 2017 Actual |
|---|----------------|----------------|----------------|
| Expenses: | | | |
| Salary and wages | \$ 101,832,172 | \$ 102,437,145 | \$ 99,292,239 |
| Employee benefits | 16,862,637 | 16,782,403 | 14,501,440 |
| Staff development | 688,863 | 975,748 | 1,135,103 |
| Supplies and services | 10,150,233 | 9,602,768 | 9,480,059 |
| Interest on long-term debt | 1,157,076 | 1,147,409 | 1,196,446 |
| Rental expenses | 419,073 | 469,839 | 423,175 |
| Fees and contract services | 14,216,112 | 14,158,578 | 13,814,537 |
| Amortization, write-downs and loss on disposal | 6,339,682 | 6,865,238 | 6,687,332 |
| Other | 213,722 | 1,934,675 | 267,708 |
| | \$ 151,879,570 | \$ 154,373,803 | \$ 146,798,039 |
| School activities | \$ 4,480,178 | \$ 4,147,617 | \$ 4,370,867 |
| Total expenses | \$ 156,359,748 | \$ 158,521,420 | \$ 151,168,906 |

9. Lease commitments:

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

| | |
|-----------|------------|
| 2018-2019 | \$ 268,969 |
| 2019-2020 | 161,864 |
| 2020-2021 | 52,028 |
| 2021-2022 | 52,028 |
| 2022-2023 | 52,028 |
| | \$ 586,917 |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

10. 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 (2017 - \$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) Kingston West school construction:

The Board has been approved for the construction of a new elementary school in Kingston, Ontario. The Ministry of Education has approved a total budget of \$14,364,417 and has agreed to fund this amount. The Board has entered into an architectural services contract for \$1,256,746. As at August 31, 2018, \$Nil has been spent on this project. The new school is anticipated to be opened in September 2020.

(d) St. Joseph Catholic Elementary School:

The Board has been approved for the construction of a renovation and addition to the existing St. Joseph Catholic Elementary School in Belleville, Ontario. The Ministry of Education has approved a total budget of \$9,952,503 and has agreed to fund this amount. The Board has entered into an architectural services contract for \$870,823. As at August 31, 2018, \$Nil has been spent on this project. The renovations and addition are anticipated to be completed in September 2020.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

11. Ontario School Board Insurance Exchange (OSBIE):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

The ultimate premiums over a five-year period are based on the 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.

12. 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 \$1,166,728 (2017 - \$957,273).

13. Trust funds:

(a) The Board was the trustee for \$559,247 (2017 - \$475,954) 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 \$699,540 (2017 - \$696,509). These amounts are not included in the consolidated financial statements.

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

14. 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 \$10,776,313 (2017 - \$10,220,371).

Tri-Board’s assets, liabilities, revenue, expenses and deficit for the year ended August 31, 2018 are as follows:

| | 2018 | 2017 |
|-----------------------|---------------|---------------|
| Financial assets | \$ 1,359,892 | \$ 3,504,887 |
| Financial liabilities | (1,663,425) | (3,838,849) |
| Net debt | (303,533) | (333,962) |
| Non-financial assets | 283,322 | 286,490 |
| Accumulated deficit | \$ (20,211) | \$ (47,472) |
| | 2018 | 2017 |
| Revenue | \$ 39,717,335 | \$ 37,493,340 |
| Expenses | 39,690,074 | 37,475,204 |
| Annual surplus | \$ 27,261 | \$ 18,136 |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

15. 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, 2017 | Additions | Disposals, write-downs and adjustments | Balance at August 31, 2018 |
|---------------------------------|----------------------------------|----------------------|--|----------------------------------|
| Land | \$ 4,090,548 | \$ – | \$ – | \$ 4,090,548 |
| Land improvements | 2,542,366 | 1,396,845 | 413,384 | 4,352,595 |
| Buildings | 151,816,209 | 15,438,709 | (413,384) | 166,841,534 |
| Portable structures | 5,608,643 | 442,465 | (368,500) | 5,682,608 |
| First-time equipping of schools | 570,014 | – | – | 570,014 |
| Furniture | 628,314 | 355,697 | – | 984,011 |
| Equipment | 921,452 | 34,311 | (48,132) | 907,631 |
| Computer hardware | 4,986,256 | 1,418,601 | (764,889) | 5,639,968 |
| Computer software | 463,244 | 1,011,619 | (7,802) | 1,467,061 |
| Vehicles | 260,336 | 27,354 | – | 287,690 |
| Pre-acquisition costs | 690,244 | – | (690,244) | – |
| Assets under construction | 7,700,413 | 412,329 | (8,112,742) | – |
| Total | \$ 180,278,039 | \$ 20,537,930 | \$ (9,992,309) | \$ 190,823,660 |

| Accumulated amortization | Balance at August 31, 2017 | Amortization | Disposals, write-offs and adjustments | Balance at August 31, 2018 |
|---------------------------------|----------------------------------|---------------------|---|----------------------------------|
| Land improvements | \$ 892,713 | \$ 215,701 | \$ – | \$ 1,108,414 |
| Buildings | 55,815,589 | 4,939,535 | – | 60,755,124 |
| Portable structures | 2,739,876 | 279,043 | (368,500) | 2,650,419 |
| First-time equipping of schools | 275,461 | 43,078 | – | 318,539 |
| Furniture | 90,413 | 76,614 | – | 167,027 |
| Equipment | 401,938 | 87,731 | (48,132) | 441,537 |
| Computer hardware | 2,281,114 | 1,039,314 | (764,889) | 2,555,539 |
| Computer software | 279,565 | 164,719 | (7,802) | 436,482 |
| Vehicles | 155,515 | 19,503 | – | 175,018 |
| Total | \$ 62,932,184 | \$ 6,865,238 | \$ (1,189,323) | \$ 68,608,099 |

ALGONQUIN AND LAKESHORE CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

15. Tangible capital assets (continued):

| | Net book value August 31, 2017 | Net book value August 31, 2018 |
|---------------------------------|-----------------------------------|-----------------------------------|
| Land | \$ 4,090,548 | \$ 4,090,548 |
| Land improvements | 1,649,653 | 3,244,181 |
| Buildings | 96,000,620 | 106,086,410 |
| Portable structures | 2,868,767 | 3,032,189 |
| First-time equipping of schools | 294,553 | 251,475 |
| Furniture | 537,901 | 816,984 |
| Equipment | 519,514 | 466,094 |
| Computer hardware | 2,705,142 | 3,084,429 |
| Computer software | 183,679 | 1,030,579 |
| Vehicles | 104,821 | 112,672 |
| Pre-acquisition costs | 690,244 | — |
| Assets under construction | 7,700,413 | — |
| Total | \$ 117,345,855 | \$ 122,215,561 |

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

Assets under construction and pre-acquisition costs having a total value of \$Nil (2017 - \$8,390,657) have not been amortized. Amortization of these assets will commence when the asset is put into service.

16. Adoption of new accounting standards:

On September 1, 2017, the Board adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the Board, and did not result in any adjustments to the financial statements as at September 1, 2017.