

Consolidated Financial Statements of

CATHOLIC DISTRICT SCHOOL
BOARD OF EASTERN ONTARIO

Year ended August 31, 2018

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Financial Statements

Year ended August 31, 2018

Management Responsibility for the Consolidated Financial Statements

Independent Auditors' Report

Consolidated Financial Statements

Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Debt.....	3
Consolidated Statement of Cash Flows.....	4
Notes to Consolidated Financial Statements.....	5

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Catholic District School Board of Eastern Ontario 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 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

November 6, 2018

Associate Director & Treasurer

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Catholic District School Board of Eastern Ontario

We have audited the accompanying consolidated financial statements of the Catholic District School Board of Eastern Ontario, 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 Catholic District School Board of Eastern Ontario as at August 31, 2018 and for the year then ended, 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.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

November 6, 2018

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Financial Position

August 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 6,488,194	\$ 3,216,585
Temporary investments	27,566	27,447
Amounts receivable:		
Municipalities	2,489,473	2,184,408
Other	3,187,088	4,862,700
Approved capital funding - Government of Ontario (note 2)	68,170,874	67,176,672
Assets held for sale (note 3)	-	450,000
Total financial assets	80,363,195	77,917,812
Liabilities:		
Temporary borrowing (note 4(b))	4,873,000	1,125,000
Accounts payable and accrued liabilities	20,001,836	12,220,623
Net long-term liabilities (note 4(a))	55,684,461	60,490,527
Deferred revenue (note 5)	4,851,327	5,015,040
Employee future benefits liability (note 6)	4,386,776	5,541,367
Deferred capital contributions (note 7)	153,767,703	141,990,209
Total financial liabilities	243,565,103	226,382,766
Net debt	(163,201,908)	(148,464,954)
Non-financial assets:		
Prepaid expenses	4,463,850	4,431,161
Tangible capital assets (note 8)	158,977,086	146,367,968
Total non-financial assets	163,440,936	150,799,129
Commitments and contingent liabilities (note 12)		
Accumulated surplus	\$ 239,028	\$ 2,334,175

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Chair of the Board

_____ Director of Education

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2018, with comparative information for 2017

	2017-2018 Budget	2017-2018 Actual	2016-2017 Actual
Revenues:			
Government of Ontario grants:			
Grants for student needs	\$ 144,501,169	\$ 148,345,789	\$ 140,667,902
Provincial legislative grant	20,622,788	18,783,051	19,039,186
Other	969,852	3,259,626	1,331,210
Ontario Youth Apprenticeship Program	122,594	122,594	122,594
Amortization of deferred capital contributions (note 7)	8,237,797	8,508,802	8,672,507
Investment income	73,731	79,532	(4,018)
Federal grants and fees	–	–	–
Other - school boards	–	6,180	5,040
Revenue recovery on land disposal	–	(40,700)	–
Other fees and revenue	645,590	1,857,704	1,533,326
School generated funds (note 14)	4,942,273	4,661,041	4,676,613
Total revenue	180,115,794	185,583,619	176,044,360
Expenses (note 10):			
Instruction	130,899,524	131,723,027	127,150,484
Administration	4,516,474	4,500,473	4,527,815
Transportation	14,141,453	14,143,571	13,690,519
Pupil accommodation	24,926,672	25,088,453	25,271,490
Other	382,827	1,803,401	384,017
School generated funds (note 14)	4,835,785	4,571,882	4,719,427
Total expenses	179,702,735	181,830,807	175,743,752
Annual surplus before the undernoted	413,059	3,572,812	300,608
Transportation arbitration award (note 15)	–	(5,847,959)	–
Annual surplus (deficit)	413,059	(2,095,147)	300,608
Accumulated surplus, beginning of year	2,382,116	2,334,175	2,033,567
Accumulated surplus, end of year (note 13)	\$ 2,795,175	\$ 239,028	\$ 2,334,175

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Change in Net Debt

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus (deficit)	\$ (2,095,147)	\$ 300,608
Tangible capital assets:		
Acquisition of tangible capital assets	(21,940,102)	(11,250,899)
Amortization of tangible capital assets	8,533,695	8,465,377
Write-down of tangible capital assets	3,260	227,492
Loss on sale of tangible capital assets	316,995	-
Proceeds on sale of tangible capital assets	477,034	-
Transfer to assets held for sale	-	450,000
	(12,609,118)	(2,108,030)
Prepaid expenses:		
Acquisition of prepaid expenses	(4,566,470)	(4,664,979)
Use of prepaid expenses	4,533,781	4,743,978
	(32,689)	78,999
Increase in net debt	(14,736,954)	(1,728,423)
Net debt, beginning of year	(148,464,954)	(146,736,531)
Net debt, end of year	\$ (163,201,908)	\$ (148,464,954)

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Cash Flows

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Operating transaction		
Annual surplus (deficit)	\$ (2,095,147)	\$ 300,608
Items not involving cash:		
Amortization of tangible capital assets	8,533,695	8,465,377
Loss on tangible capital assets	316,995	-
Write-down of tangible capital assets	3,260	227,492
Transfer to assets held for sale	-	450,000
Amortization of deferred capital contributions	(8,508,802)	(8,672,507)
Change in non-cash assets and liabilities:		
Decrease (increase) in temporary investments	(119)	1,483
Decrease (increase) in amounts receivable - municipalities and other	1,370,547	(2,139,793)
Decrease (increase) in prepaid expenses	(32,689)	78,999
Decrease (increase) in assets held for sale	450,000	(269,890)
Increase in accounts payable and accrued liabilities	7,781,213	4,284,342
Increase (decrease) in deferred revenue	(163,713)	881,835
Decrease in employee future benefits liability	(1,154,591)	(815,150)
Cash provided by operating transactions	6,500,649	2,792,796
Capital transactions:		
Proceeds on sale of tangible capital assets	477,034	-
Cash used to acquire tangible capital assets	(21,940,102)	(11,250,899)
Cash applied to capital transactions	(21,463,068)	(11,250,899)
Financing transactions:		
Increase in temporary borrowing	3,748,000	1,073,000
Net debt principal repayments and sinking fund contributions	(4,806,066)	(1,589,856)
Increase in amounts receivable - approved capital funding	(994,202)	(1,841,358)
Additions to deferred capital contributions	20,286,296	10,115,474
Cash provided by financing transactions	18,234,028	7,757,260
Change in cash	3,271,609	(700,843)
Opening cash	3,216,585	3,917,428
Closing cash	\$ 6,488,194	\$ 3,216,585

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies:

The consolidated financial statements of the Catholic District School Board of Eastern Ontario (the "Board") are prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

(a) Basis of accounting:

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 statement of operations and accumulated surplus over the periods during which the asset is used to provided 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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

As a result, revenue recognized in the statement of operations and 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.

The consolidated financial statements include the following organizations:

- (i) Student Transportation of Eastern Ontario ("STEO"): STEO is accounted for using the proportionate consolidation method of accounting and reporting, whereby the Board's pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the financial statements. The Board is a member of STEO with the Upper Canada District School Board. STEO is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. STEO's principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the eastern Ontario area on behalf of the member school boards.
- (ii) School generated funds: the assets, liabilities, revenues, expenses, and fund balances of various organizations that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.

Inter-departmental and inter-organizational transactions and balances are eliminated in these consolidated financial statements.

(c) 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.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(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. Investments are recorded at cost which approximates market value. Temporary investments have interest rates that range from 0.25% to 0.75%.

(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. The Board does not capitalize interest paid on debt used to finance the construction of tangible capital assets. When historical cost records were not available, other methods were used to estimate the cost and accumulated amortization.

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

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
Other buildings	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 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. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

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

(f) Deferred revenue:

The Board receives amounts pursuant to legislation, regulation or agreement that may only be used for certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(g) 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 the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(h).

(h) 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 of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions when the asset is acquired as required under Ontario Regulation 395/11 of the Financial Administration Act. Amounts are recognized into revenue at the same rate as the related tangible capital asset is amortized.

(i) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, retirement gratuity, service awards, and worker's compensation. The Board accrues its obligation for these employee benefits.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

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

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established between 2016 and 2018 for all employee groups. Additionally, retirees belonging to the Principal/Vice Principal and Non-union employee groups have transitioned to the ELHT in 2017-18. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. 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) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment. After retirees transition, the Board continues to be responsible for its share of cost of benefits based on the cost sharing arrangement prior to the transition to the ELHT.

The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. 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 services life of the employee group.

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

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, 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.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

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

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(j) 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.

(k) Budget figures:

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

The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

The Board approves its budget annually. The approved operating budget for 2017-2018 is reflected on the Consolidated Statement of Operations and Accumulated Surplus, the budget was approved on June 20, 2017.

(l) Long-term debt:

Long-term debt is recorded net of related sinking fund asset balances.

(m) 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 Legislative Grants.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 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 future benefit liabilities.

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

2. Accounts receivable - approved capital funding - Government of Ontario:

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of Ontario of \$68,170,874 (2017 - \$67,176,672) as at August 31, 2018 with respect to capital grants.

3. Assets held for sale:

During the year, one property previously recorded as an asset held for sale was sold. Net proceeds of \$424,284 were received on the sale, resulting in a loss of \$25,716. The proceeds were deferred for future capital asset purchases according to Ontario Regulation 193/10.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. Long-term debt:

(a) Net long-term liabilities:

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

	2018	2017
Debentures	\$ 27,892,694	\$ 29,928,892
Sinking fund debenture	—	1,318,430
Loans	27,791,767	29,243,205
	<u>\$ 55,684,461</u>	<u>\$ 60,490,527</u>

The respective interest rates on the loan and debentures range from 3.5% to 7.2% and the respective maturity dates on the loans and debentures range from June 9, 2025 to March 9, 2038.

Principal payments relating to the net long-term liabilities outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
2018-2019	\$ 3,680,388	\$ 2,947,938	\$ 6,628,326
2019-2020	3,884,111	2,744,515	6,628,626
2020-2021	4,099,447	2,529,179	6,628,626
2021-2022	4,326,860	2,301,549	6,628,409
Thereafter	39,693,655	10,615,825	50,309,480
	<u>\$ 55,684,461</u>	<u>\$ 21,139,006</u>	<u>\$ 76,823,467</u>

(b) Temporary borrowing:

The Board has credit facilities available to a maximum of \$18,000,000 to address operating requirements and to bridge capital expenditures.

Interest on the operations facilities is charged at the bank's prime lending rate minus 0.7% or the banker's acceptance rate plus 0.2%. All loans are unsecured, due on demand.

As at August 31, 2018, the amount drawn on the credit facility was \$4,873,000 (2017 - \$1,125,000).

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

5. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside by the Board for specific purposes by legislation, regulation or agreement.

Deferred revenue is comprised of:

	2018	2017
By legislation, regulation or agreement:		
School Renewal	\$ 893,509	\$ 1,420,991
Child Care Capital Retrofit	163,264	498,494
Specialized Equipment per Pupil Amount (SEA)	817,536	817,536
Learning Opportunities - Student Achievement	67,772	45,269
Indigenous Education	58,794	-
Assets Held for Sale	-	425,000
Proceeds on disposition	1,439,747	541,158
	<u>3,440,622</u>	<u>3,748,448</u>
Amounts restricted by external funder	1,410,705	1,266,592
	<u>\$ 4,851,327</u>	<u>\$ 5,015,040</u>

(a) School Renewal:

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

(b) Child Care Capital Retrofit:

The Province provides specific capital funding to repurpose existing child care spaces or space not required for instruction purposes in schools, to serve children aged 0 to 3.8 years under the Schools-First Child Care Capital Retrofit Policy.

(c) Specialized Equipment Per Pupil Amount (SEA):

Specific funding is provided by the Province to support computers, software, computer-related devices and required supporting furniture identified for use by students with special education needs as well as all training and technician costs for all SEA equipment.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

5. Deferred revenue (continued):

(d) Learning Opportunities - Student Achievement:

Starting from 2015-16, six components of the student achievement allocations in the Learning Opportunities Grant are enveloped as a group:

- (i) Literacy and Math Outside the School Day Allocation
- (ii) Student Success, Grade 7 to 12 Allocation
- (iii) Grade 7 & 8 Literacy and Numeracy and Student Success Teachers
- (iv) School Effectiveness Framework Allocation
- (v) Ontario Focused Intervention Partnership (OFIP) Tutoring Allocation
- (vi) Specialist High Skills Major (SHSM) Allocation

These allocation components are associated with improving student achievement. The enveloping applies to the sum of the six allocations, not to each allocation separately.

(e) Indigenous Education:

The province provides specific funding to be spent on expenses that support Indigenous education objectives.

(f) Assets held for sale:

Transferred from deferred capital contribution, the funding of the asset held for sale will be transferred to the proceeds on disposition deferred revenue when the property is sold.

(g) Proceeds on disposition:

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

6. 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.

(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 \$1,997,226 (2017 - \$1,975,441) 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) Retirement gratuity benefits:

The Board provides retirement gratuities to certain groups of employees hired prior to specific dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

In 2016, OECTA ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided OECTA members the option of receiving discounted frozen retirement gratuity benefit payments by August 31, 2016. This provision was also made available to all non-unionized school board employees, including principals and vice-principals. All payments were accrued at August 31, 2016.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(b) Other employee future benefits:

(i) Workplace Safety and Insurance Board (WSIB) obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 require the Board to provide a salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision.

(ii) Sick leave top-up benefits:

A maximum of 11 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 \$121,633 (2017 - \$127,809).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2018. This actuarial valuation is based on assumptions about future events.

(iii) Long-term disability life insurance and health care benefits:

ELHTs were established for all employee groups. There are no employee groups remaining for which the Board is responsible for providing Health, dental and Life insurance benefits as at August 31, 2018, and as a result, the liability for this benefit has been eliminated.

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

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the age of 65. The premiums are based on the Board's experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(c) Accrued benefit liability:

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2018. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018	2017
Discount rate	2.90%	2.55%
Salary growth	0.00%	0.00%
Dental benefits escalation	3.50% for 2018/19 reducing by ¼% in each year to an ultimate rate of 3.00%	3.75% for 2017/18 reducing by ¼% in each year to an ultimate rate of 3.00%
Health benefits escalation	7.50% for 2018/19 reducing by ¼% in each year to an ultimate rate of 4.00%	7.75% for 2017/18 reducing by ¼% in each year to an ultimate rate of 4.00%

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

	2018	2017
Accrued benefit liability, beginning of year	\$ 5,541,367	\$ 6,356,517
Expense recognized for the year:		
Current service cost	(577,499)	11,049
Amortization of actuarial gains and losses	41,712	65,215
Interest cost	127,317	125,150
	(408,470)	201,414
Benefits paid for the year	(746,121)	(1,016,564)
Accrued benefit liability, end of year	\$ 4,386,776	\$ 5,541,367

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(c) Accrued benefit liability (continued):

Accrued benefit obligation:

	2018	2017
Retirement gratuity	\$ 2,543,742	\$ 2,820,288
Sick leave top-up benefits	121,748	113,467
Post-employment benefits	288,412	411,251
Long-term disability benefit	–	668,746
WSIB	1,578,190	1,758,601
Accrued benefit obligation, end of year	4,532,092	5,772,353
Net unamortized actuarial loss	(145,316)	(230,986)
Accrued benefit liability, end of year	\$ 4,386,776	\$ 5,541,367

7. Deferred capital contributions:

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

	2018	2017
Opening balance, September 1	\$ 141,990,209	\$ 140,547,242
Additions to deferred capital contributions	20,286,296	10,540,474
Transfer to financial asset	–	(425,000)
Revenue/adjustments recognized in the period	(8,508,802)	(8,672,507)
Ending balance, August 31	\$ 153,767,703	\$ 141,990,209

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Tangible capital assets:

Cost	Balance at August 31, 2017	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2018
Land	\$ 3,601,932	\$ 363,000	\$ (15,700)	\$ 3,949,232
Land improvements	3,044,883	184,667	(280,138)	2,949,412
Buildings	216,923,469	3,244,316	(2,319,361)	217,848,424
Construction-in-progress	3,321,409	17,556,995	—	20,878,404
Portable structures	7,647,112	215,118	—	7,862,230
First-time equipping of schools	1,112,990	—	—	1,112,990
Furniture	230,072	—	(48,660)	181,412
Equipment	1,076,345	233,632	(58,457)	1,251,520
Computer hardware	1,199,442	115,122	(536,063)	778,501
Computer software	107,311	—	—	107,311
Vehicles	305,824	27,252	—	333,076
Total	\$ 238,570,789	\$ 21,940,102	\$ (3,258,379)	\$ 257,252,512

Accumulated amortization	Balance at August 31, 2017	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2018
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	1,365,333	269,726	(181,889)	1,453,170
Buildings	84,838,789	7,338,639	(1,639,281)	90,538,147
Construction-in-progress	—	—	—	—
Portable structures	3,555,357	395,238	—	3,950,595
First-time equipping of schools	615,769	111,299	—	727,068
Furniture	157,000	36,234	(48,660)	144,574
Equipment	687,725	125,526	(58,457)	754,794
Computer hardware	760,877	196,490	(532,803)	424,564
Computer software	32,836	21,462	—	54,298
Vehicles	189,135	39,081	—	228,216
Total	\$ 92,202,821	\$ 8,533,695	\$ (2,461,090)	\$ 98,275,426

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Tangible capital assets (continued):

	Net book value August 31, 2018	Net book value August 31, 2017
Land	\$ 3,949,232	\$ 3,601,932
Land improvements	1,496,242	1,679,550
Buildings	127,310,277	132,084,680
Construction-in-progress	20,878,404	3,321,409
Portable structures	3,911,635	4,091,755
First-time equipping of schools	385,922	497,221
Furniture	36,838	73,072
Equipment	496,726	388,620
Computer hardware	353,937	438,565
Computer software	53,013	74,475
Vehicles	104,860	116,689
Total	\$ 158,977,086	\$ 146,367,968

Included in the disposals, write-offs and adjustments column are adjustments of \$643,179 (2017 - \$2,045,281) for the deemed disposal of assets.

During the year, CDSBEO sold Immaculate Conception Catholic School for proceeds of disposition of \$477,034 resulting in a loss of \$299,225. CDSBEO also demolished St. Luke Catholic High School resulting in a loss of \$17,770.

9. Debt charges and capital loans interest:

The payments made for debt charges and capital loans include principal and interest payments as follows:

	2018	2017
Debt principal repayments and sinking fund contributions	\$ 3,533,817	\$ 3,281,082
Interest payments on long-term liabilities	3,178,422	3,398,529
	\$ 6,712,239	\$ 6,679,611

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

10. Expenses by object:

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

	2017-2018 Budget	2017-2018 Actual	2016-2017 Actual
Expenses by object:			
Salary and wages	\$ 118,246,667	\$ 118,412,309	\$ 115,517,383
Employee benefits	17,794,414	16,853,232	15,770,566
Staff development	583,179	941,189	1,169,023
Supplies and services	14,207,586	14,389,317	14,429,124
Interest	3,203,161	3,281,690	3,394,964
Rental expenses	106,807	122,809	90,525
Fees and contract services	16,551,498	22,620,731	15,972,331
Other	759,093	2,177,821	706,964
Amortization of tangible capital assets	8,250,330	8,879,668	8,692,872
	179,702,735	187,678,766	175,743,752
Transportation arbitration award (note 15)	–	(5,847,959)	–
	\$ 179,702,735	\$ 181,830,807	\$ 175,743,752

Included in the amortization of tangible capital assets is the loss on sale of tangible capital assets.

11. Ontario School Board Insurance Exchange (OSBIE):

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

The ultimate premiums over a five-year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five-year term expires December 31, 2021.

12. Commitments and 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 financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

12. Commitments and contingent liabilities (continued):

(b) Guarantees:

The Board has guaranteed work relating to their capital projects with the respective municipalities in the amount of \$972,624.

(c) Contractual obligations:

The Board has a total of \$8,180,616 of contractual obligations at year end relating to the construction or renovation of buildings.

13. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Available for compliance - unappropriated		
Total operating accumulated surplus (deficit)	\$ (1,600,148)	\$ 532,339
Available for compliance - internally appropriated		
Workers' Safety Insurance Board (WSIB)	296,467	296,467
School budget carryover	403,875	207,433
Student success	-	11,814
ICT WAN	5,000	15,000
Religion	-	18,348
Assistive technology	17,589	17,589
ICT Repair Fund	36,643	34,862
Assessment	7,853	8,625
Educational support professional development	49,552	50,955
Sinking Fund Interest - not committed	-	1,233,132
Sinking Fund Interest - committed	55,700	58,232
Special Incidence Portion - Special Education	279,393	351,277
Total accumulated surplus (deficit) available for compliance	(448,076)	2,836,073
Unavailable for compliance		
Employee future benefits	(3,805,982)	(4,499,905)
Interest to be accrued	(886,429)	(970,049)
School generated funds (note 14)	1,430,283	1,341,124
Revenue recognized for land	3,949,232	3,626,932
Total accumulated surplus (deficit) unavailable for compliance	687,104	(501,898)
Total accumulated surplus	\$ 239,028	\$ 2,334,175

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

14. School Generated Funds:

	2017-2018 Budget	2017-2018 Actual	2016-2017 Actual
Revenues:			
School fundraising and other	\$ 4,942,273	\$ 4,661,041	\$ 4,676,613
Expenses:			
School funded activities	4,835,785	4,571,882	4,719,427
Annual surplus (deficit)	106,488	89,159	(42,814)
Opening accumulated surplus - school generated funds	1,490,426	1,341,124	1,383,938
Closing accumulated surplus - school generated funds	\$ 1,596,914	\$ 1,430,283	\$ 1,341,124

15. Transportation consortium:

The Board is a member of the Student Transportation of Eastern Ontario ("STEO") consortium with the Upper Canada District School Board, effective February 1, 2012. The consortium will provide joint governance and administration of student transportation services provided to students registered with the two member boards. During the year STEO received an arbitrator's decision that resulted in significant increases to the rate paid to operators for the years ending August 2017 and 2018, and increased rates for 2019 and beyond. The amount related to the costs associated with the arbitration are shown separately in the statement of operations. The full amount of the incremental cost of \$6.3 million is included in accounts payable and accrued liabilities on the statement of financial position. Of the \$6,361,287 payable, \$3,081,239 relates to the year ending August 2017 and \$3,280,048 relates to the year ending August 2018. The payable was partially offset by \$513,328 in savings/recoveries, resulting in a net deficit of \$5,847,959.

Related party transactions and balances with STEO include the following:

- (i) The Board paid STEO \$20,961,998 (2017 - \$13,690,519) for student transportation services in the year.
- (ii) The Board has a payable to STEO of \$6,632,728 (2017 - payable to STEO of \$285,951) for student transportation services.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

15. Transportation consortium (continued):

STEO's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2018 are as follows:

	2018	2017
Financial assets	\$ 19,739,773	\$ 2,826,702
Financial liabilities	20,023,544	3,187,105
Net debt	(283,771)	(360,403)
Non-financial assets	283,771	360,403
Accumulated surplus	\$ –	\$ –

	2018	2017
Revenue	\$ 53,484,670	\$ 36,284,950
Expenses	53,484,670	36,284,950
Annual deficit	\$ –	\$ –

16. Repayment of "55 School Board Trust" funding:

On June 1, 2003, the Board received \$5,138,566 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.

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.