

Consolidated Financial Statements of

**OTTAWA-CARLETON
DISTRICT SCHOOL BOARD**

Year ended August 31, 2018

DRAFT

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2018

Management Report

Independent Auditors' Report

Consolidated Financial Statements

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2017-2018 MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Ottawa-Carleton 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(a) 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 Board of Trustees and the Audit Committee meet with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board of Trustees. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Ottawa-Carleton District School Board's consolidated financial statements.

Concerns Regarding Provincial Funding of Education

The Board of Trustees continue to express their concerns on the level of funding provided by the provincial government to Ontario's school boards. Under the existing requirements of the Education Act, school boards are almost completely dependent on provincial government funding and must approve balanced budgets. The government's multi-year plan to deal with the provincial deficit indicates overall restraints in funding growth to less than the rate of inflation. If the application of the plan to the education sector results in a loss of existing purchasing power, the only significant action a school board will be able to implement to balance its budget is to reduce spending, thereby impacting the level of service provided to its students.

Jennifer Adams

Michael Carson, CPA, CA

Director of Education/Secretary of the Board

Chief Financial Officer

November 20, 2018

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Ottawa-Carleton District School Board

We have audited the accompanying consolidated financial statements of the Ottawa-Carleton 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(a) 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 Ottawa-Carleton District School Board as at and for the year ended August 31, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1(a) 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 20, 2018

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 60,981,213	\$ 16,030,780
Accounts receivable:		
Government of Ontario - approved capital funding (note 2)	175,874,384	188,239,824
Municipality	37,662,536	38,323,395
Other	29,136,427	25,902,542
Total financial assets	303,654,560	268,496,541
Financial liabilities:		
Accounts payable and accrued liabilities	79,752,323	67,656,814
Other accounts payable	7,239,022	7,633,195
Net long-term liabilities (note 3)	132,078,175	139,028,478
Deferred revenue (note 4)	37,910,254	26,721,185
Employee future benefits liability (note 5)	55,067,640	60,741,294
Deferred capital contributions (note 6)	715,691,875	683,022,613
Total financial liabilities	1,027,739,289	984,803,579
Net debt	(724,084,729)	(716,307,038)
Non-financial assets:		
Prepaid expenses	6,572,934	5,929,438
Inventories of supplies	1,174,416	1,380,571
Tangible capital assets (note 7)	794,041,079	760,542,001
Total non-financial assets	801,788,429	767,852,010
Commitments and contingent liabilities (note 9)		
Accumulated surplus (note 8)	\$ 77,703,700	\$ 51,544,972

See accompanying notes to consolidated financial statements.

Jennifer Adams
Director of Education/Secretary of the Board

Shirley Seward
Chair of the Board

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

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

	2018 Budget	2018 Total	2017 Total
Revenue:			
Provincial grants:			
Grants for student needs (note 10)	\$ 826,214,222	\$ 840,230,118	\$ 799,720,917
Program specific	6,679,722	15,120,429	7,837,693
Ontario Youth Apprenticeship Program	184,282	180,248	184,284
Amortization of deferred capital contributions	45,782,874	48,620,997	44,800,102
Federal grants and fees	2,168,731	2,569,858	2,108,627
Other school boards	576,509	615,834	598,612
Other fees and revenue	54,270,603	45,090,671	46,551,779
Interest income	250,000	752,271	286,314
School-funded activities	23,041,000	25,240,470	24,040,830
	959,167,943	978,420,896	926,129,158
Expenses (note 11):			
Instruction	689,850,515	688,012,250	646,709,622
School operations and maintenance	140,628,607	146,501,925	133,586,157
Transportation (note 14)	40,132,990	39,809,918	38,109,453
Administration	20,756,861	20,210,859	16,024,846
Other	28,759,631	34,642,563	29,466,925
School-funded activities	23,041,000	23,084,653	24,151,198
	943,169,604	952,262,168	888,048,201
Annual surplus	15,998,339	26,158,728	38,080,957
Accumulated surplus, beginning of year	24,700,813	51,544,972	13,464,015
Accumulated surplus, end of year (note 8)	\$ 40,699,152	\$ 77,703,700	\$ 51,544,972

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

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

	2018	2017
Annual surplus	\$ 26,158,728	\$ 38,080,957
Tangible capital assets (note 7):		
Acquisition of tangible capital assets	(82,161,688)	(73,149,354)
Amortization of tangible capital assets	48,611,506	42,974,601
Loss on disposal of tangible capital assets	51,104	1,894,183
	(33,499,078)	(28,280,570)
Non-financial assets:		
Acquisition of inventories of supplies	(637,336)	(664,306)
Acquisition of prepaid expenses	(8,639,720)	(4,801,958)
Consumption of inventories of supplies	843,491	557,157
Use of prepaid expenses	7,996,224	1,983,737
	(437,341)	(2,925,370)
Increase (decrease) in net debt	(7,777,691)	6,875,017
Net debt, beginning of year	(716,307,038)	(723,182,055)
Net debt, end of year	\$ (724,084,729)	\$ (716,307,038)

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

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

	2018	2017
Operating transactions:		
Annual surplus	\$ 26,158,728	\$ 38,080,957
Items not involving cash:		
Amortization of tangible capital assets	48,611,506	42,974,601
Loss on disposal of tangible capital assets	51,104	1,894,183
Amortization of deferred capital contributions	(48,620,997)	(44,800,102)
Change in non-cash assets and liabilities:		
Increase in accounts receivable	(2,573,026)	(14,058,543)
Increase in accounts payable and accrued liabilities	12,095,509	1,579,967
Increase (decrease) in other accounts payable	(394,173)	1,632,869
Increase in deferred revenue	11,189,069	7,018,340
Decrease in employee future benefits liability	(5,673,654)	(23,948,469)
Increase in prepaid expenses	(643,496)	(2,818,221)
Decrease (increase) in inventories of supplies	206,155	(107,149)
Cash applied to operating transactions	40,406,725	7,448,433
Capital transactions:		
Acquisition of tangible capital assets	(82,161,688)	(73,149,354)
Financing transactions:		
Principal repayments of net long-term liabilities	(6,950,303)	(6,619,083)
Decrease in accounts receivable - Government of Ontario approved capital funding	12,365,440	7,884,901
Additions to deferred capital contributions	81,290,259	72,299,354
Cash applied to financing transactions	86,705,396	73,565,172
Increase in cash	44,950,433	7,864,251
Cash, beginning of year	16,030,780	8,166,529
Cash, end of year	\$ 60,981,213	\$ 16,030,780

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies:

The consolidated financial statements of the Ottawa-Carleton District School Board (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 consolidated statement of operations and accumulated surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions included government transfers, externally restricted contributions and, historically, property tax revenue.

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

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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 Ottawa-Carleton District School Board (the "Board") and which are controlled by the Board.

The consolidated financial statements include the following organizations:

- (i) The Ottawa-Carleton Education Network ("OCENET"): OCENET is consolidated in the financial statements. OCENET is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. OCENET's principal activity is to market products, programs, services and expertise to international students, and generate tuition revenue for the Board.
- (ii) The Ottawa Student Transportation Authority ("OSTA"): OSTA is included in the consolidated financial statements 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 consolidated financial statements. The Board is a member of OSTA with the Ottawa Catholic School Board. OSTA is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. OSTA's principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the Ottawa area on behalf of the member school boards.
- (iii) 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) 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) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

OTTAWA-CARLETON 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.

Leases which transfer substantially all benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Rate	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
Leasehold improvements	Over term of lease

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

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and the carrying value is written down to its 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 in these consolidated financial statements.

(f) Deferred revenue:

The Board receives certain amounts 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 expenses are incurred or services performed.

OTTAWA-CARLETON 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 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, retirement gratuity, service awards, and worker's compensation. 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 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. The Board continues to be responsible for its share of the cost of benefits based on the cost sharing arrangement prior to the transition to the ELHT.

OTTAWA-CARLETON 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):

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, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities is actuarially determined using the employee's salary, banked sick days (if applicable) and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

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

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period;
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

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

Certain amounts, as approved by the Board of 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 the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(g).

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(k) Interest income:

Interest 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 and education development charges 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.

The Board approves its budget annually. The operating budget for 2017-2018 was approved on June 12, 2017, and is reflected on the consolidated statement of operations and accumulated surplus.

(m) Property tax revenue:

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

(n) Use of estimates:

The preparation of the consolidated financial statements in conformity with the basis of accounting described in note 1(a) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates.

Significant estimates include assumptions used in performing actuarial valuations of employee future benefits liabilities. These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

The Province of Ontario (the "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 supports the capital programs as of that date. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. In any year, the Board may also receive additional capital grants to support new capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of \$175,874,384 (2017 - \$188,239,824) as at August 31, 2018 with respect to capital grants.

3. Net long-term liabilities and temporary borrowing:

(a) Net long-term liabilities:

The Board's long-term liabilities result from new school construction and major school renewal renovation projects. The provincial government has committed to fully funding the annual payments for this debt as disclosed in note 2. Net long-term liabilities consist of the following:

	2018	2017
Bank loan for new school construction, bearing interest of 5.55% per annum, maturity date July 15, 2019	\$ 32,461,652	\$ 35,201,234
Ontario Financing Authority capital debenture debt:		
bearing interest at a rate of 4.56% per annum (1 st issue), maturity date November 17, 2031	32,369,601	34,072,508
bearing interest at a rate of 4.90% per annum (2 nd issue), maturity date March 31, 2033	11,342,008	11,854,045
bearing interest at a rate of 5.06% per annum (3 rd issue), maturity date March 31, 2034	8,027,542	8,352,216
bearing interest at a rate of 5.232% per annum (4 th issue), maturity date April 13, 2035	15,400,244	15,956,049
bearing interest at a rate of 4.833% per annum (5 th issue), maturity date March 11, 2036	5,797,675	5,999,130
bearing interest at a rate of 3.97% per annum (6 th issue), maturity date November 17, 2036	603,404	625,154
bearing interest at a rate of 3.564% per annum (7 th issue), maturity date March 9, 2037	10,963,423	11,366,681
bearing interest at a rate of 3.799% per annum (8 th issue), maturity date March 19, 2038	10,552,496	10,903,652
bearing interest at a rate of 4.003% per annum (9 th issue), maturity date March 11, 2039	4,079,159	4,202,793
bearing interest at a rate of 3.242% per annum (10 th issue), maturity date March 15, 2041	480,971	495,016
	<u>\$ 132,078,175</u>	<u>\$ 139,028,478</u>

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

3. Net long-term liabilities and temporary borrowing (continued):

(a) Net long-term liabilities (continued):

Future principal and interest payments relating to the net long-term liabilities are due as follows:

	Principal	Interest	Total
2018-2019	\$ 7,300,472	\$ 6,197,292	\$ 13,497,764
2019-2020	7,667,109	5,830,755	13,497,864
2020-2021	8,057,126	5,440,738	13,497,864
2021-2022	8,462,839	5,035,025	13,497,864
2022-2023	8,890,770	4,607,524	13,498,294
Thereafter	91,699,859	23,752,473	115,452,332
	<u>\$ 132,078,175</u>	<u>\$ 50,863,807</u>	<u>\$ 182,941,982</u>

Principal and interest payments made on the net long-term liabilities in the year are as follows:

	2018	2017
Principal payments	\$ 6,950,303	\$ 6,619,081
Interest payments	6,547,455	6,878,679
	<u>\$ 13,497,758</u>	<u>\$ 13,497,760</u>

(b) Maturing loan:

The schedule of net long-term liabilities and schedule of future principal and interest payments include amounts relating to the bank loan for new school construction, bearing interest of 5.55% per annum and maturing July 15, 2019. The Ministry of Education has confirmed its intention to assume the outstanding obligation upon maturity. The liability at that date will be \$30,118,544.

(c) Temporary borrowing:

The Board has credit facilities available to a maximum of \$95,000,000 to address operating requirements and to bridge funding of capital expenditures. Interest on the credit facilities is determined based on the bank's prime lending rate discounted pursuant to the agreement with the bank. All loans are unsecured and due on demand. There was no temporary borrowing as at August 31, 2018 (2017 - \$Nil) and, accordingly, no liability is reported.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. 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 for specific purposes by legislation, regulation or agreement. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

Deferred revenue is comprised of:

	2018	2017
By legislation, regulation or agreement:		
Proceeds of disposition - school buildings	\$ 1,544,673	\$ 1,520,234
Amounts restricted by external funders	36,365,581	25,200,951
	<u>\$ 37,910,254</u>	<u>\$ 26,721,185</u>
Balance, beginning of year	\$ 26,721,185	\$ 19,702,845
Amounts received during the year (note 4(b))	52,066,929	40,352,745
Amounts recognized as revenue or transferred to deferred capital contributions	(40,877,860)	(33,334,405)
Balance, end of year	<u>\$ 37,910,254</u>	<u>\$ 26,721,185</u>

(a) Proceeds of disposition - school buildings:

The proceeds of disposition deferred revenue balance consist of proceeds from the sale of schools. The Board is required to use this amount with Ministry of Education approval to fund future capital costs related to Board facilities.

(b) Detail of amounts received during the year:

	2018	2017
School renewal	\$ 14,282,274	\$ 14,321,695
Temporary accommodations	900,000	1,434,000
Special education	2,589,105	2,546,891
Grants from other provincial ministries	3,001,235	2,469,111
Other various Ministry of Education	20,006,481	12,392,469
Education development charges	6,950,705	5,453,635
School generated funds, OCENET and other	4,312,690	1,720,256
Proceeds of disposition	24,439	14,688
Total	<u>\$ 52,066,929</u>	<u>\$ 40,352,745</u>

OTTAWA-CARLETON 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.

(a) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of the 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 administrative and support 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 \$12,261,477 (2017 - \$11,593,212) 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.

The OMERS pension plan had a deficit as at December 31, 2017, based on the actuarial valuation of the pension benefit obligation resulting in the plan being 94.0% funded (2016 – 93.4% funded). Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

(iii) Retirement gratuity 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 at August 31, 2012.

OTTAWA-CARLETON 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:

(i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 require the Board to provide a salary top-up to a maximum of 4 ½ 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 \$553,402 (2017 - \$486,031).

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

(iii) Long-term disability life insurance:

The Board provides group life insurance benefits to employees on long-term disability leave that are not yet members of an Employee Life Health Trust ("ELHT"). The premiums are waived for the employee and the Board. The costs are reflected in the experience of the plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

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

The Board continues to provide life insurance, dental and health care benefits to 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, 2012, employees retiring on or after this date no longer qualify for Board subsidized premiums or contributions.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(c) Accrued benefit liability:

The accrued benefit obligations for employee future benefit plans are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2018. The actuarial valuation was based on assumptions about future events. During the year, an assumption relating to the eligibility of certain teachers to receive a gratuity payment upon retirement was amended. The amended assumption resulted in an increase to the accrued employee future benefit obligation reported at August 31, 2018. The increase in the obligation is reported as an unamortized actuarial loss which will be recognized over the remaining service life of employees eligible for a gratuity payment.

The Board is no longer responsible for providing health, dental and life insurance benefits for employees as a result of the ELHTs established for all employee groups. Accordingly, the liability for such benefits has been eliminated as at August 31, 2018.

The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018	2017
Discount rate	2.95% per annum	2.55% per annum
Health benefit escalation	no longer applicable	7.2% in 2017 grading down to 4.5% thereafter
Dental benefit escalation	no longer applicable	4.5% per annum

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

	Retirement gratuities	Other employee future benefits	2018 Total employee future benefits	2017 Total employee future benefits
Accrued employee future benefit obligations at August 31	\$ 59,869,457	\$ 583,514	\$ 60,452,971	\$ 57,408,055
Unamortized actuarial gains (losses) at August 31	(3,427,490)	636	(3,426,854)	5,497,117
	56,441,967	584,150	57,026,117	62,905,172
Current portion of retirement gratuities included in other accounts payable	(1,958,477)	–	(1,958,477)	(2,163,878)
Employee future benefits liability at August 31	\$ 54,483,490	\$ 584,150	\$ 55,067,640	\$ 60,741,294

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

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

(c) Accrued benefit liability (continued):

	Retirement gratuities	Other employee future benefits	2018 Total employee future benefits	2017 Total employee future benefits
Current year benefit cost	\$ 300,474	\$ (87,906)	\$ 212,568	\$ (15,090,815)
Interest on accrued benefit obligation	1,672,364	18,434	1,690,798	1,629,007
Benefits paid	(7,243,007)	(539,414)	(7,782,421)	(10,042,517)
Change in employee future benefits liability	\$ (5,270,169)	\$ (608,886)	\$ (5,879,055)	\$ (23,504,325)

6. 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	\$ 683,022,613	\$ 655,523,361
Additions to deferred capital contributions	81,290,259	72,299,354
Amortization of deferred capital contributions	(48,620,997)	(44,800,102)
Closing balance, August 31	\$ 715,691,875	\$ 683,022,613

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

7. Tangible capital assets:

Cost	Balance at August 31, 2017	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2018
Land	\$ 77,006,163	\$ 871,430	\$ –	\$ 77,877,593
Land improvements	21,006,416	3,677,096	–	24,683,512
Buildings	1,030,233,750	63,501,359	7,226,046	1,100,961,155
Portable structures	15,024,988	985,620	–	16,010,608
First-time equipping of schools	12,319,944	724,366	(215,640)	12,828,670
Furniture	752,666	104,125	–	856,791
Equipment	9,487,924	1,217,269	(372,946)	10,332,247
Computer hardware	5,853,862	2,431,930	(900,565)	7,385,227
Computer software	784,280	131,576	(364,544)	551,312
Vehicles	1,739,592	131,329	(488,559)	1,382,362
Leasehold improvements	193,946	–	(70,560)	123,386
Construction-in-progress	4,868,854	8,385,588	(7,226,046)	6,028,396
Total	\$ 1,179,272,385	\$ 82,161,688	\$ (2,412,814)	\$ 1,259,021,259

Accumulated amortization	Balance at August 31, 2017	Amortization	Disposals write-offs and adjustments	Balance at August 31, 2018
Land improvements	\$ 9,927,438	\$ 2,536,538	\$ –	\$ 12,463,976
Buildings	389,795,134	41,295,242	–	431,090,376
Portable structures	4,612,339	786,414	–	5,398,753
First-time equipping of schools	6,057,390	1,257,431	(215,640)	7,099,181
Furniture	256,498	77,870	–	334,368
Equipment	3,475,337	899,975	(372,946)	4,002,366
Computer hardware	3,039,605	1,323,909	(900,565)	3,462,949
Computer software	459,419	134,459	(364,544)	229,334
Vehicles	1,027,644	289,874	(488,559)	828,959
Leasehold improvements	79,580	9,794	(19,456)	69,918
Total	\$ 418,730,384	\$ 48,611,506	\$ (2,361,710)	\$ 464,980,180

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

7. Tangible capital assets (continued):

	Net book value August 31, 2018	Net book value August 31, 2017
Land	\$ 77,877,593	\$ 77,006,163
Land improvements	12,219,536	11,078,978
Buildings	669,870,779	640,438,616
Portable structures	10,611,855	10,412,649
First-time equipping of schools	5,729,489	6,262,554
Furniture	522,423	496,168
Equipment	6,329,881	6,012,587
Computer hardware	3,922,278	2,814,257
Computer software	321,978	324,861
Vehicles	553,403	711,948
Leasehold improvements	53,468	114,366
Construction-in-progress	6,028,396	4,868,854
Total	\$794,041,079	\$ 760,542,001

8. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Available for compliance - unappropriated		
Operating accumulated surplus	\$ 14,362,296	\$ 793,932
Available for compliance - internally appropriated by Board:		
Provision for contingencies	10,000,000	10,000,000
Employee future benefits	5,000,000	5,000,000
Computer systems replacement	2,000,000	1,000,000
School budget carry-forwards	1,602,376	1,702,359
Department budget carry-forwards	546,615	509,459
Extended Day and Child Care Programs	886,279	213,061
Committed capital projects	471,613	513,226
Total internally appropriated	20,506,883	18,938,105
Total accumulated surplus available for compliance	34,869,179	19,732,037
Unavailable for compliance:		
OCENET	3,861,282	2,408,187
School generated funds	8,894,273	8,191,551
Employee future benefits (note 5)	(47,798,627)	(55,792,966)
Revenue recognized for land	77,877,593	77,006,163
Total externally appropriated	42,834,521	31,812,935
Total accumulated surplus	\$ 77,703,700	\$ 51,544,972

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Accumulated surplus (continued):

Available for compliance - unappropriated:

(a) Total operating accumulated surplus:

This amount is the sum of the net annual surpluses and deficits from the start of the school year less any transfers to internally appropriated accumulated surpluses. The Board is able to use the amount to balance future years' budgets within limits set by the Ministry of Education.

Available for compliance - internally appropriated:

(b) Provision for contingencies:

A provision for contingencies has been established to respond to reduced revenues and increased expenses in comparison to the annual budget.

(c) Employee future benefits:

The Board has set aside an amount for use in years when actual employee future benefit costs (retirement gratuities and Workplace Safety and Insurance Board costs) exceed the annual budget.

(d) Computer systems replacement:

A provision has been established to provide for the replacement of financial, human resources, payroll and student management systems.

(e) School budget carry-forwards:

The Board has approved the carry-forward of certain unspent budget amounts for use in the subsequent year.

(f) Department budget carry-forwards:

The Board has approved the carry-forward of certain unspent budget amounts for use in the subsequent year.

(g) Extended Day and Child Care Programs:

The Board has approved the carry-forward of the combined net operating surplus of the Extended Day and Child Care programs. A portion of this amount has been identified to support the acquisition of computer software to manage participant registration and billing. The remainder will be used to respond to reduced revenues and increased expenses in comparison to the annual budget.

(h) Committed capital projects:

The Ministry of Education required school boards to establish appropriated accumulated surplus amounts equal to their spending on non-Ministry funded capital projects. There is an annual transfer to unappropriated accumulated surplus of an amount equal to the amortization of the relevant capital assets.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Accumulated surplus (continued):

Unavailable for compliance:

(i) OCENET:

The balance is OCENET's accumulated surplus. The Board of OCENET determines its use.

(j) School generated funds:

Schools and school councils operate various fundraising activities during the year. The proceeds are used for the benefit of the students in the schools.

(k) Employee future benefits:

The basis of accounting described in note 1(a), requires school boards to record the annual deemed impact of employee earning benefits that will not actually be paid to them until future years. This balance is the offset to the accumulated annual expense entries.

(l) Revenue recognized for land:

The amount of revenue recognized for the purchase of land.

9. 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 additional 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) Capital construction:

Letters of credit totalling \$6,785,732 (2017 - \$5,979,239) were issued on behalf of the Board as required by the City of Ottawa for ongoing school construction projects.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

9. Commitments and contingent liabilities (continued):

(c) Contractual obligations:

The Board has a total of \$44,599,902 (2017 - \$27,006,811) of contractual obligations at year end relating to the construction or renovation of buildings, which are funded from government grants, existing deferred revenues and reserves and the issuance of new debt during the year.

(d) Ontario School Board Insurance Exchange ("OSBIE"):

The school board is a member of OSBIE, a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks for this school board, and as such the Board shares in the pooled risk of all OSBIE members.

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.

10. Grants for student needs:

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: direct grants from the provincial government and education property taxes. The provincial government sets the education property tax rate. Eighty-six percent of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs. The payment methods of this funding are as follows:

	2018	2017
Local property taxation	\$ 292,652,992	\$ 304,045,751
Ministry of Education direct funding	547,577,126	495,675,166
	<u>\$ 840,230,118</u>	<u>\$ 799,720,917</u>

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

11. Expenses by object:

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

	2018 Budget	2018 Actual	2017 Actual
Salary and wages	\$ 642,518,650	\$ 643,889,063	\$ 620,909,498
Employee benefits	104,490,651	108,659,349	98,739,852
Total salary and benefits	747,009,301	752,548,412	719,649,350
Staff development	2,472,756	1,383,380	1,529,599
Supplies and services	40,951,768	36,295,952	32,750,014
Utilities	16,233,396	17,315,676	17,327,302
Rentals/leases	1,584,591	929,735	960,902
Fees/contracts/provincial schools	17,648,578	21,016,871	19,797,362
Transportation contracts	38,299,771	38,301,493	36,432,605
Other	3,559,115	14,077,635	4,928,359
Transfers to Other Boards	–	92,635	–
Interest on debt	6,547,455	6,547,455	6,878,679
Amortization of tangible capital assets	45,821,873	48,611,506	42,974,601
Loss on disposal of tangible capital assets	–	51,104	1,894,183
School-funded activities	23,041,000	23,084,653	24,151,198
Subtotal other operating expenses	196,160,303	207,708,095	189,624,804
Decrease in employee future benefits	–	(7,994,339)	(21,225,953)
Total expenses	\$ 943,169,604	\$ 952,262,168	\$ 888,048,201

12. School council activities:

The cash balance on the consolidated statement of financial position includes \$1,772,615 (2017 - \$1,794,538) relating to school councils whose activities were included in these consolidated financial statements. The school-funded activities revenue and school-funded activities expenses respectively include \$3,518,853 (2017 - \$3,820,783) and \$3,540,777 (2017 - \$3,846,579) of school council activities.

13. Trust funds:

Trust funds administered by the Board amounting to \$3,104,857 (2017 - \$3,112,851) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations and accumulated surplus, in accordance with the basis of accounting described in note 1(c).

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

14. Ottawa Student Transportation Authority:

The Board is a member of the Ottawa Student Transportation Authority ("OSTA") with the Ottawa Catholic School Board ("OCSB"). Related party transactions and balances with OSTA include the following:

- (a) The Board had expenditures of \$39,809,918 (2017 - \$38,109,453) for student transportation services of OCSB students in the year.
- (b) The Board has a payable to OSTA of \$297,405 (2017 - \$283,619) for student transportation services.
- (c) The Board has a receivable from OSTA of \$329,857 (2017 - \$227,966).

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

	2018	2017
Financial assets	\$ 2,711,192	\$ 2,694,772
Financial liabilities	(2,943,876)	(3,012,079)
Net debt	(232,684)	(317,307)
Non-financial assets	232,684	317,307
Accumulated surplus	\$ -	\$ -

	2018	2017
Revenue	\$ 61,191,322	\$ 58,388,290
Expenses	61,191,322	58,388,290
Annual deficit	\$ -	\$ -