

Consolidated Financial Statements of

**OTTAWA-CARLETON
DISTRICT SCHOOL BOARD**

and Independent Auditors' Report thereon

Year ended August 31, 2019

DRAFT

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2019

Management Report

Independent Auditors' Report

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2018-2019 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.

Camille Williams-Taylor

Michael Carson, CPA, CA

Director of Education/Secretary of the Board

Chief Financial Officer

(date)

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of the Ottawa-Carleton District School Board (the "Entity"), which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2019, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Presentation

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting as described in note 1(a), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

(date)

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2019, with comparative information for 2018

	2019	2018
Financial assets:		
Cash	\$ 79,498,431	\$ 60,981,213
Accounts receivable:		
Government of Ontario - approved capital funding (note 2)	133,582,854	175,874,384
Municipality	37,506,852	37,662,536
Other	23,487,145	29,136,427
Total financial assets	274,075,282	303,654,560
Financial liabilities:		
Accounts payable and accrued liabilities	87,192,830	79,752,323
Other accounts payable	5,394,738	7,239,022
Net long-term liabilities (note 3)	95,211,608	132,078,175
Deferred revenue (note 4)	30,838,177	37,910,254
Employee future benefits liability (note 5)	49,452,692	55,067,640
Deferred capital contributions (note 6)	756,079,749	715,691,875
Total financial liabilities	1,024,169,794	1,027,739,289
Net debt	(750,094,512)	(724,084,729)
Non-financial assets:		
Prepaid expenses	6,408,984	6,572,934
Inventories of supplies	1,251,545	1,174,416
Tangible capital assets (note 7)	850,013,323	794,041,079
Total non-financial assets	857,673,852	801,788,429
Commitments and contingent liabilities (note 9)		
Accumulated surplus (note 8)	\$ 107,579,340	\$ 77,703,700

See accompanying notes to consolidated financial statements.

Camille Williams-Taylor
Director of Education/Secretary of the Board

Lynn Scott
Chair of the Board

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2019, with comparative information for 2018

	2019 Budget	2019 Total	2018 Total
Revenue:			
Provincial grants:			
Grants for student needs (note 10)	\$ 862,102,526	\$ 863,714,172	\$ 840,230,118
Program specific	8,723,317	8,799,848	15,120,429
Ontario Youth Apprenticeship Program	264,789	319,789	180,248
Amortization of deferred capital contributions	53,358,047	49,672,200	48,620,997
Federal grants and fees	2,221,085	2,378,950	2,569,858
Other school boards	598,612	670,733	615,834
Other fees and revenue	54,410,207	60,591,597	45,090,671
Interest income	350,000	1,624,472	752,271
School-funded activities	23,041,000	24,309,360	25,240,470
	1,005,069,583	1,012,081,121	978,420,896
Expenses (note 11):			
Instruction	727,531,012	714,681,578	688,012,250
School operations and maintenance	148,549,131	150,856,563	146,501,925
Transportation (note 14)	41,461,358	41,868,519	39,809,918
Administration	19,929,464	20,237,048	20,210,859
Other	28,835,251	31,307,425	34,642,563
School-funded activities	23,041,000	23,254,348	23,084,653
	989,347,216	982,205,481	952,262,168
Annual surplus	15,722,367	29,875,640	26,158,728
Accumulated surplus, beginning of year	67,331,192	77,703,700	51,544,972
Accumulated surplus, end of year (note 8)	\$ 83,053,559	\$ 107,579,340	\$ 77,703,700

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 29,875,640	\$ 26,158,728
Tangible capital assets (note 7):		
Acquisition of tangible capital assets	(105,754,042)	(82,161,688)
Amortization of tangible capital assets	49,781,798	48,611,506
Loss on disposal of tangible capital assets	–	51,104
	(55,972,244)	(33,499,078)
Non-financial assets:		
Acquisition of inventories of supplies	(719,487)	(637,336)
Acquisition of prepaid expenses	(10,531,065)	(8,639,720)
Consumption of inventories of supplies	642,358	843,491
Use of prepaid expenses	10,695,015	7,996,224
	86,821	(437,341)
Increase in net debt	(26,009,783)	(7,777,691)
Net debt, beginning of year	(724,084,729)	(716,307,038)
Net debt, end of year	\$ (750,094,512)	\$ (724,084,729)

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Operating transactions:		
Annual surplus	\$ 29,875,640	\$ 26,158,728
Items not involving cash:		
Amortization of tangible capital assets	49,781,798	48,611,506
Loss on disposal of tangible capital assets	–	51,104
Amortization of deferred capital contributions	(49,672,200)	(48,620,997)
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable	5,804,966	(2,573,026)
Increase in accounts payable and accrued liabilities	7,440,507	12,095,509
Decrease in other accounts payable	(1,844,284)	(394,173)
Increase (decrease) in deferred revenue	(7,072,077)	11,189,069
Decrease in employee future benefits liability	(5,614,948)	(5,673,654)
Decrease (increase) in prepaid expenses	163,950	(643,496)
Decrease (increase) in inventories of supplies	(77,129)	206,155
Cash applied to operating transactions	28,786,223	40,406,725
Capital transactions:		
Acquisition of tangible capital assets	(105,754,042)	(82,161,688)
Financing transactions:		
Principal repayments of net long-term liabilities	(36,866,567)	(6,950,303)
Decrease in accounts receivable - Government of Ontario approved capital funding	42,291,530	12,365,440
Additions to deferred capital contributions	90,060,074	81,290,259
Cash applied to financing transactions	95,485,037	86,705,396
Increase in cash	18,517,218	44,950,433
Cash, beginning of year	60,981,213	16,030,780
Cash, end of year	\$ 79,498,431	\$ 60,981,213

See accompanying notes to consolidated financial statements.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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, 2019

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 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, 2019

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, 2019

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. 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, 2019

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, 2019

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 2018-2019 was approved on June 11, 2018, 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, 2019

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 \$133,582,854 (2018 - \$175,874,384) as at August 31, 2019 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:

	2019	2018
Bank loan for new school construction, bearing interest of 5.55% per annum, maturity date July 15, 2019	\$ -	\$ 32,461,652
Ontario Financing Authority capital debenture debt:		
bearing interest at a rate of 4.56% per annum (1 st issue), maturity date November 17, 2031	30,588,155	32,369,601
bearing interest at a rate of 4.90% per annum (2 nd issue), maturity date March 31, 2033	10,804,574	11,342,008
bearing interest at a rate of 5.06% per annum (3 rd issue), maturity date March 31, 2034	7,686,225	8,027,542
bearing interest at a rate of 5.232% per annum (4 th issue), maturity date April 13, 2035	14,814,978	15,400,244
bearing interest at a rate of 4.833% per annum (5 th issue), maturity date March 11, 2036	5,586,366	5,797,675
bearing interest at a rate of 3.97% per annum (6 th issue), maturity date November 17, 2036	580,781	603,404
bearing interest at a rate of 3.564% per annum (7 th issue), maturity date March 9, 2037	10,545,664	10,963,423
bearing interest at a rate of 3.799% per annum (8 th issue), maturity date March 19, 2038	10,187,872	10,552,496
bearing interest at a rate of 4.003% per annum (9 th issue), maturity date March 11, 2039	3,950,527	4,079,159
bearing interest at a rate of 3.242% per annum (10 th issue), maturity date March 15, 2041	466,466	480,971
	<u>\$ 95,211,608</u>	<u>\$ 132,078,175</u>

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

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
2019-2020	\$ 4,608,171	\$ 4,265,653	\$ 8,873,824
2020-2021	4,820,925	4,052,899	8,873,824
2021-2022	5,043,624	3,830,200	8,873,824
2022-2023	5,276,739	3,597,085	8,873,824
2023-2024	5,520,762	3,353,062	8,873,824
Thereafter	69,941,387	18,537,436	88,478,823
	<u>\$ 95,211,608</u>	<u>\$ 37,636,335</u>	<u>\$ 132,847,943</u>

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

	2019	2018
Principal payments	\$ 36,866,567	\$ 6,950,303
Interest payments	5,979,281	6,547,455
	<u>\$ 42,845,848</u>	<u>\$ 13,497,758</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 matured on July 15, 2019. The liability was paid in full in the amount of \$32,461,653.

(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, 2019 (2018 - \$Nil) and, accordingly, no liability is reported.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

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:

	2019	2018
By legislation, regulation or agreement:		
Proceeds of disposition - school buildings	\$ 1,578,342	\$ 1,544,673
Amounts restricted by external funders	29,259,835	36,365,581
	<u>\$ 30,838,177</u>	<u>\$ 37,910,254</u>
Balance, beginning of year	\$ 37,910,254	\$ 26,721,185
Amounts received during the year (note 4(b))	46,393,163	52,066,929
Amounts recognized as revenue or transferred to deferred capital contributions	(53,465,240)	(40,877,860)
Balance, end of year	<u>\$ 30,838,177</u>	<u>\$ 37,910,254</u>

(a) Proceeds of disposition - school buildings:

The proceeds of disposition deferred revenue balance consists 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:

	2019	2018
School renewal	\$ 14,533,875	\$ 14,282,274
Temporary accommodations	840,000	900,000
Special education	2,630,535	2,589,105
Grants from other provincial ministries	2,606,582	3,001,235
Other various Ministry of Education	15,587,122	20,006,481
Education development charges	6,625,823	6,950,705
School generated funds, OCENET and other	3,535,557	4,312,690
Proceeds of disposition	33,669	24,439
Total	<u>\$ 46,393,163</u>	<u>\$ 52,066,929</u>

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

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, 2019, the Board contributed \$12,437,472 (2018 - \$12,261,477) 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, 2018, based on the actuarial valuation of the pension benefit obligation resulting in the plan being 96% funded (2018 - 94.0% 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, 2019

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 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 \$537,809 (2018 - \$553,402).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2019. 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, 2019.

(iii) Long-term disability life insurance:

Prior to 2019, the Board provided group life insurance benefits to employees on long-term disability leave that were not yet members of an ELHT. The premiums were waived for the employee and the Board. The costs were reflected in the experience of the plan. The Board provided these benefits through an unfunded defined benefit plan. Commencing 2019, all employees were members of an ELHT and, accordingly the Board did not incur costs during the year. 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, 2019

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, 2019. The actuarial valuation was based on assumptions about future events.

During 2018, 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 was reported as an unamortized actuarial loss which is being recognized over the remaining service life of employees eligible for a gratuity payment.

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

	2019	2018
Discount rate	2.00% per annum	2.95% 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	2019 Total employee future benefits	2018 Total employee future benefits
Accrued employee future benefit obligations at August 31	\$ 57,823,935	\$ 564,097	\$ 58,388,032	\$ 60,452,971
Unamortized actuarial gains (losses) at August 31	(7,009,692)	1,705	(7,007,987)	(3,426,854)
	50,814,243	565,802	51,380,045	57,026,117
Current portion of retirement gratuities included in other accounts payable	(1,927,353)	–	(1,927,353)	(1,958,477)
Employee future benefits liability at August 31	\$ 48,886,890	\$ 565,802	\$ 49,452,692	\$ 55,067,641

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

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

(c) Accrued benefit liability (continued):

	Retirement gratuities	Other employee future benefits	2019 Total employee future benefits	2018 Total employee future benefits
Current year benefit cost	\$ 41,992	\$ 539,980	\$ 581,972	\$ 212,568
Interest on accrued benefit obligation	1,674,680	804	1,675,484	1,690,798
Benefits paid	(7,344,396)	(559,132)	(7,903,528)	(7,782,421)
Change in employee future benefits liability	\$ (5,627,724)	\$ (18,348)	\$ (5,646,072)	\$ (5,879,055)

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.

	2019	2018
Opening balance, September 1	\$ 715,691,875	\$ 683,022,613
Additions to deferred capital contributions	90,060,074	81,290,259
Amortization of deferred capital contributions	(49,672,200)	(48,620,997)
Closing balance, August 31	\$ 756,079,749	\$ 715,691,875

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

7. Tangible capital assets:

Cost	Balance at August 31, 2018	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2019
Land	\$ 77,877,593	\$ 13,313,610	\$ –	\$ 91,191,203
Land improvements	24,683,512	3,666,068	–	28,349,580
Buildings	1,100,961,155	50,903,079	18,570,311	1,170,434,545
Portable structures	16,010,608	3,211,755	(79,800)	19,142,563
First-time equipping of schools	12,828,670	271,013	(1,988,681)	11,111,002
Furniture	856,791	273,272	(25,238)	1,104,825
Equipment	10,332,247	1,387,363	(458,953)	11,260,657
Computer hardware	7,385,227	4,769,309	(1,455,607)	10,698,929
Computer software	551,312	5,587,874	(15,244)	6,123,942
Vehicles	1,382,362	331,022	(249,184)	1,464,200
Leasehold improvements	123,386	23,008	–	146,394
Construction-in-progress	6,028,396	22,016,669	(18,570,311)	9,474,754
Total	\$ 1,259,021,259	\$ 105,754,042	\$ (4,272,707)	\$ 1,360,502,594

Accumulated amortization	Balance at August 31, 2018	Amortization	Disposals write-offs and adjustments	Balance at August 31, 2019
Land improvements	\$ 12,463,976	\$ 3,343,030	\$ –	\$ 15,807,006
Buildings	431,090,376	40,526,608	–	471,616,984
Portable structures	5,398,753	890,607	(79,800)	6,209,560
First-time equipping of schools	7,099,181	1,196,983	(1,988,681)	6,307,483
Furniture	334,368	98,081	(25,238)	407,211
Equipment	4,002,366	979,219	(458,953)	4,522,632
Computer hardware	3,462,949	1,808,416	(1,455,607)	3,815,758
Computer software	229,334	667,526	(15,244)	881,616
Vehicles	828,959	262,335	(249,184)	842,110
Leasehold improvements	69,918	8,993	–	78,911
Total	\$ 464,980,180	\$ 49,781,798	\$ (4,272,707)	\$ 510,489,271

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

7. Tangible capital assets (continued):

	Net book value August 31, 2019	Net book value August 31, 2018
Land	\$ 91,191,203	\$ 77,877,593
Land improvements	12,542,574	12,219,536
Buildings	698,817,561	669,870,779
Portable structures	12,933,003	10,611,855
First-time equipping of schools	4,803,519	5,729,489
Furniture	697,614	522,423
Equipment	6,738,025	6,329,881
Computer hardware	6,883,171	3,922,278
Computer software	5,242,326	321,978
Vehicles	622,090	553,403
Leasehold improvements	67,483	53,468
Construction-in-progress	9,474,754	6,028,396
Total	\$ 850,013,323	\$ 794,041,079

8. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Available for compliance - unappropriated		
Operating accumulated surplus	\$ 16,709,964	\$ 14,362,296
Available for compliance - internally appropriated by Board:		
Provision for contingencies	12,200,000	10,000,000
Employee future benefits	5,000,000	5,000,000
Computer systems replacement	2,000,000	2,000,000
School budget carry-forwards	1,293,664	1,602,376
Department budget carry-forwards	362,481	546,615
Extended Day and Child Care Programs	2,073,376	886,279
Committed capital projects	2,742,372	471,613
Total internally appropriated	25,671,893	20,506,883
Total accumulated surplus available for compliance	42,381,857	34,869,179
Unavailable for compliance:		
OCENET	4,254,996	3,861,282
School generated funds	9,555,571	8,894,273
Employee future benefits (note 5)	(39,804,287)	(47,798,627)
Revenue recognized for land	91,191,203	77,877,593
Total externally appropriated	65,197,483	42,834,521
Total accumulated surplus	\$ 107,579,340	\$ 77,703,700

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

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, 2019

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; however, a liability of \$4,500,000 has been reported in response to a number of specific sexual assault claims. 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 \$6,031,845 (2018 - \$6,785,732) were issued on behalf of the Board as required by the City of Ottawa for ongoing school construction projects.

(c) Contractual obligations:

The Board has a total of \$28,819,338 (2018 - \$44,599,902) 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.

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

9. Commitments and contingent liabilities (continued):

(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-five 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:

	2019	2018
Local property taxation	\$ 300,678,601	\$ 292,652,992
Ministry of Education direct funding	563,035,571	547,577,126
	<u>\$ 863,714,172</u>	<u>\$ 840,230,118</u>

OTTAWA-CARLETON DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2019

11. Expenses by object:

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

	2019 Budget	2019 Actual	2018 Actual
Salary and wages	\$ 673,164,527	\$ 665,739,008	\$ 643,889,063
Employee benefits	108,828,099	115,492,768	108,659,349
Total salary and benefits	781,992,626	781,231,776	752,548,412
Staff development	2,721,200	1,338,797	1,383,380
Supplies and services	41,497,892	36,747,646	36,295,952
Utilities	16,538,396	17,527,832	17,315,676
Rentals/leases	1,461,490	2,012,042	929,735
Fees/contracts/provincial schools	19,254,987	22,790,081	21,016,871
Transportation contracts	39,739,091	40,268,933	38,301,493
Other	3,508,115	9,267,286	14,077,635
Transfers to Other Boards	—	—	92,635
Interest on debt	6,192,758	5,979,281	6,547,455
Amortization of tangible capital assets	53,399,661	49,781,798	48,611,506
Loss on disposal of tangible capital assets	—	—	51,104
School-funded activities	23,041,000	23,254,348	23,084,653
Subtotal other operating expenses	207,354,590	208,968,044	207,708,095
Decrease in employee future benefits	—	(7,994,339)	(7,994,339)
Total expenses	\$ 989,347,216	\$ 982,205,481	\$ 952,262,168

12. School council activities:

The cash balance on the consolidated statement of financial position includes \$1,800,897 (2018 - \$1,772,615) 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 \$3,629,156 (2018 - \$3,518,853) and \$3,600,873 (2018 - \$3,540,777) of school council activities.

13. Trust funds:

Trust funds administered by the Board amounting to \$3,174,146 (2018 - \$3,104,857) 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, 2019

14. Ottawa Student Transportation Authority:

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

- (a) The Board had expenditures of \$41,868,519 (2018 - \$39,809,918) for student transportation services of OCDSB students in the year.
- (b) The Board has a payable to OSTA of \$556,549 (2018 - \$297,405) for student transportation services.
- (c) The Board has a receivable from OSTA of \$110,589 (2018 - \$329,857).

OSTA's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2019 are as follows:

	2019	2018
Financial assets	\$ 2,799,240	\$ 2,711,192
Financial liabilities	(2,986,086)	(2,943,876)
Net debt	(186,846)	(232,684)
Non-financial assets	186,846	232,684
Accumulated surplus	\$ -	\$ -

	2019	2018
Revenue	\$ 64,586,411	\$ 61,191,322
Expenses	(64,586,411)	61,191,322
Annual deficit	\$ -	\$ -

15. Adoption of new accounting standards:

Effective September 1, 2018, the Board adopted Canadian public sector accounting standard PS 3430 Restructuring Transactions.

The adoption of this standard did not result in an accounting policy change for the Board and did not result in any changes to the consolidated financial statements as at September 1, 2018.