

Consolidated Financial Statements of

**CATHOLIC DISTRICT SCHOOL
BOARD OF EASTERN
ONTARIO**

Year ended August 31, 2019

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Financial Statements

Year ended August 31, 2019

Management Responsibility for the Consolidated Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Catholic District School Board of Eastern Ontario are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act as described in note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated financial statements.

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



Director of Education

November 6, 2019



Associate Director & Treasurer



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Catholic District School Board of Eastern Ontario, which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statements 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, comprising a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at August 31, 2019, and its results of operations and its 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 responsibility 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

We draw attention to Note 1 in 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.



Our opinion is not modified in respect of this matter.

Responsibility 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 Canadian accounting standards for not-for-profit organizations, 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.

Auditor's 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 auditor's 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 risk 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, internal 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 purposes 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 the 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's 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.
- We 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

November 6, 2019

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Financial Position


August 31, 2019, with comparative information for 2018

	2019	2018
		(Recast – note 16)
Financial assets:		
Cash	\$ 2,698,739	\$ 6,488,194
Temporary investments	28,002	27,566
Amounts receivable:		
Municipalities	2,235,251	2,489,473
Other	3,323,083	3,988,763
Approved capital funding - Government of Ontario (note 2)	56,773,864	67,369,199
Assets held for sale (note 3)	1,593,576	-
Total financial assets	66,652,515	80,363,195
Liabilities:		
Temporary borrowing (note 4(b))	4,759,089	4,873,000
Accounts payable and accrued liabilities	8,214,880	19,041,491
Net long-term liabilities (note 4(a))	52,004,074	55,684,461
Deferred revenue (note 5)	4,984,274	4,851,327
Employee future benefits liability (note 6)	4,506,171	4,386,776
Deferred capital contributions (note 7)	155,662,802	153,767,703
Total financial liabilities	230,131,290	242,604,758
Net debt	(163,478,775)	(162,241,563)
Non-financial assets:		
Prepaid expenses	4,539,645	4,463,850
Tangible capital assets (note 8)	160,515,882	158,977,086
Total non-financial assets	165,055,527	163,440,936
Commitments and contingent liabilities (note 12)		
Accumulated surplus	\$ 1,576,752	\$ 1,199,373

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Chair of the Board


Director of Education

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Operations and Accumulated Surplus

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

	2018-2019 Budget	2018-2019 Actual	2017-2018 Actual
			(Recast – note 16)
Revenues:			
Government of Ontario grants:			
Grants for student needs	\$ 150,544,421	\$ 152,565,954	\$ 148,345,789
Provincial legislative grant	19,793,439	19,647,901	18,783,051
Other	1,370,815	2,244,234	3,259,626
Ontario Youth Apprenticeship Program	181,268	181,267	122,594
Amortization of deferred capital contributions (note 7)	8,798,554	8,709,657	8,508,802
Investment income	56,600	89,759	79,532
Federal grants and fees	–	–	–
Other - school boards	–	5,540	6,180
Revenue recovery on land disposal	–	(15,700)	(40,700)
Other fees and revenue	842,825	1,582,700	1,857,704
School generated funds (note 14)	4,676,613	4,485,332	4,661,041
Total revenue	186,264,535	189,496,644	185,583,619
Expenses (note 10):			
Instruction	135,169,584	136,260,964	131,723,027
Administration	4,379,409	4,315,899	4,500,473
Transportation	15,929,698	18,281,141	14,143,571
Pupil accommodation	25,414,870	25,271,584	25,088,453
Other	382,827	550,710	1,803,401
School generated funds (note 14)	4,719,427	4,438,967	4,571,882
Total expenses	185,995,815	189,119,265	181,830,807
Annual surplus before the undernoted	268,720	377,379	3,752,812
Transportation arbitration award (note 15)	–	–	(4,887,614)
Annual surplus (deficit)	268,720	377,379	(1,134,802)
Accumulated surplus, beginning of year	1,172,479	1,199,373	2,334,175
Accumulated surplus, end of year (note 13)	\$ 1,441,199	\$ 1,576,752	\$ 1,199,373

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Change in Net Debt

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

	2019	2018
Annual surplus (deficit)	\$ 377,379	\$ (1,134,802)
Tangible capital assets:		
Acquisition of tangible capital assets	(12,259,873)	(21,940,102)
Amortization of tangible capital assets	7,956,341	8,533,695
Write-down of tangible capital assets	726,189	3,260
Loss on sale of tangible capital assets	70,921	316,995
Proceeds on sale of tangible capital assets	374,050	477,034
Transfer to assets held for sale	1,593,576	-
	(1,538,796)	(12,609,118)
Prepaid expenses:		
Acquisition of prepaid expenses	(4,710,656)	(4,566,470)
Use of prepaid expenses	4,634,861	4,533,781
	(75,795)	(32,689)
Increase in net debt	(1,237,212)	(13,776,609)
Net debt, beginning of year	(162,241,563)	(148,464,954)
Net debt, end of year	\$ (163,478,775)	\$(162,241,563)

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Cash Flows

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

	2019	2018
		(Recast – note 16)
Operating transaction		
Annual surplus (deficit)	\$ 377,379	\$ (1,134,802)
Items not involving cash:		
Amortization of tangible capital assets	7,956,341	8,533,695
Loss on tangible capital assets	70,921	316,995
Write-down of tangible capital assets	726,189	3,260
Transfer to assets held for sale	1,593,576	–
Amortization of deferred capital contributions	(8,638,736)	(8,508,802)
Change in non-cash assets and liabilities:		
Increase in temporary investments	(436)	(119)
Decrease in amounts receivable		
- municipalities and other	919,902	1,370,547
Increase in prepaid expenses	(75,795)	(32,689)
Decrease (increase) in assets held for sale	(1,593,576)	450,000
Increase (decrease) in accounts payable and accrued liabilities	(10,826,611)	6,820,868
Increase (decrease) in deferred revenue	132,947	(163,713)
Decrease (increase) in employee future benefits liability	119,395	(1,154,591)
Cash provided by operating transactions	(9,238,504)	6,500,649
Capital transactions:		
Proceeds on sale of tangible capital assets	374,050	477,034
Cash used to acquire tangible capital assets	(12,259,873)	(21,940,102)
Cash applied to capital transactions	(11,885,823)	(21,463,068)
Financing transactions:		
Increase (decrease) in temporary borrowing	(113,911)	3,748,000
Net debt principal repayments and sinking fund contributions (note 9)	(3,680,387)	(4,806,066)
Decrease (increase) in amounts receivable - approved capital funding	10,595,335	(994,202)
Additions to deferred capital contributions	10,533,835	20,286,296
Cash provided by financing transactions	17,334,872	18,234,028
Change in cash	(3,789,455)	3,271,609
Opening cash	6,488,194	3,216,585
Closing cash	\$ 2,698,739	\$ 6,488,194

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies:

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

(a) Basis of accounting:

These consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations and accumulated surplus over the periods during which the asset is used to provided service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions included government transfers, externally restricted contributions and, historically, property tax revenue.

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

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

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

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

The consolidated financial statements include the following organizations:

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

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

(c) Investment income:

Investment income is reported as revenue in the period earned.

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies (continued):

(d) Temporary investments:

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition. Investments are recorded at cost which approximates market value. Temporary investments have interest rates that range from 0.25% to 0.75%.

(e) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The Board does not capitalize interest paid on debt used to finance the construction of tangible capital assets. When historical cost records were not available, other methods were used to estimate the cost and accumulated amortization.

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

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

Assets under construction are not amortized until the asset is available for productive use.

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

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies (continued):

(f) Deferred revenue:

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

(g) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

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

(h) Deferred capital contributions:

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

(i) Retirement and other employee future benefits:

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies (continued):

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

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

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

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining services life of the employee group.

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

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies (continued):

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

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

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

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

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

(k) Budget figures:

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

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

The Board approves its budget annually. The approved operating budget for 2018-2019 is reflected on the Consolidated Statement of Operations and Accumulated Surplus, the budget was approved on June 19, 2018.

(l) Long-term debt:

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

(m) Property tax revenue:

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

1. Significant accounting policies (continued):

(n) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates. Significant estimates include assumptions used in performing actuarial valuations of employee future benefit liabilities.

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

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

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

The Board has an account receivable from the Province of Ontario of \$56,773,864 (2018 - \$67,369,199) as at August 31, 2019 with respect to capital grants.

3. Assets held for sale:

As of August 31, 2019, three properties have been closed and are classified as assets held for sale, amounting to \$1,593,576 (2018 - \$Nil). Subsequent to year end, one of the properties was sold. Net proceeds of \$1 was received on the sale of the property, which had a carrying value of \$477,115, resulting in a loss of \$477,114.

Subsequent to year end, the second property was conditionally sold. Net proceeds of \$475,000 were agreed upon for the sale of the property, which had a carrying value of \$724,075, resulting in a loss of \$249,075.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

4. Long-term debt:

(a) Net long-term liabilities:

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

	2019	2018
Debtures	\$ 25,731,712	\$ 27,892,694
Loans	26,272,362	27,791,767
	\$ 52,004,074	\$ 55,684,461

The respective interest rates on the loan and debtures range from 3.5% to 7.2% and the respective maturity dates on the loans and debtures range from June 9, 2025 to March 19, 2038.

Principal payments relating to the net long-term liabilities outstanding as at August 31, 2019 are due as follows:

	Principal	Interest	Total
2019-2020	\$ 3,884,111	\$ 2,744,515	\$ 6,628,626
2020-2021	4,099,447	2,529,179	6,628,626
2021-2022	4,326,860	2,301,549	6,628,409
2022-2023	4,567,497	2,060,904	6,628,401
Thereafter	35,126,159	8,554,921	43,681,080
	\$ 52,004,074	\$ 18,191,068	\$ 70,195,142

(b) Temporary borrowing:

The Board has credit facilities available to a maximum of \$33,075,000 to address operating requirements and to bridge capital expenditures.

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

As at August 31, 2019, the amount drawn on the credit facility was \$4,759,089 (2018 - \$4,873,000).

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

5. Deferred revenue:

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

Deferred revenue is comprised of:

	2019	2018
By legislation, regulation or agreement:		
School Renewal	\$ 833,638	\$ 893,509
Child Care Capital Retrofit	122,342	163,264
Specialized Equipment per Pupil Amount (SEA)	815,529	817,536
Learning Opportunities - Student Achievement	80,164	67,772
Indigenous Education	122,603	58,794
Assets Held for Sale	1,496,674	-
Proceeds on Disposition	75,337	1,439,747
Special Education	124,613	-
Continuing Education	29,706	-
	<u>3,700,606</u>	<u>3,440,622</u>
Amounts restricted by external funder	1,283,668	1,410,705
	<u>\$ 4,984,274</u>	<u>\$ 4,851,327</u>

(a) School Renewal:

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

(b) Child Care Capital Retrofit:

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

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

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

5. Deferred revenue (continued):

(d) Learning Opportunities - Student Achievement:

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

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

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

(e) Indigenous Education:

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

(f) Assets held for sale:

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

(g) Proceeds on disposition:

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

(g) Special Education

Specific funding is provided by the Province to support the incremental expenditures for special education.

(i) Continuing Education:

Continuing Education fees are collected through student registration for the following school year.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

6. Retirement and other employee future benefits:

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

(a) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2019, the Board contributed \$2,099,750 (2018 - \$1,997,226 to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

(iii) Retirement gratuity benefits:

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

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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

(b) Other employee future benefits:

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

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

(ii) Sick leave top-up benefits:

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$121,659 (2018 - \$121,633).

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.

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

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

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

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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

(c) Accrued benefit liability:

The accrued benefit obligations for employee future benefit plans as at August 31, 2019 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2019. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2019	2018
Discount rate	2.00%	2.90%
Salary growth	0.00%	0.00%
Dental benefits escalation	4.5% for 2019/20 remaining at a flat rate each year	3.50% for 2018/19 reducing by ¼% in each year to an ultimate rate of 3.00%
Health benefits escalation	7.25% for 2019/20 reducing by ¼% in each year to an ultimate rate of 4.50%	7.50% for 2018/19 reducing by ¼% in each year to an ultimate rate of 4.00%

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

	2019	2018
Accrued benefit liability, beginning of year	\$ 4,386,776	\$ 5,541,367
Expense recognized for the year:		
Current service cost	776,048	(577,499)
Change Due to Benefit Reinstatement	213,766	–
Amortization of actuarial gains and losses	(57,636)	41,712
Interest cost	125,264	127,317
	1,057,442	(408,470)
Benefits paid for the year	(938,047)	(746,121)
Accrued benefit liability, end of year	\$ 4,506,171	\$ 4,386,776

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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

(c) Accrued benefit liability (continued):

Accrued benefit obligation:

	2019	2018
Retirement gratuity	\$ 2,282,851	\$ 2,543,742
Sick leave top-up benefits	131,595	121,748
Post-employment benefits	339,192	288,412
Long-term disability benefit	–	–
WSIB	2,003,990	1,578,190
Accrued benefit obligation, end of year	4,757,628	4,532,092
Net unamortized actuarial loss	(251,457)	(145,316)
Accrued benefit liability, end of year	\$ 4,506,171	\$ 4,386,776

7. Deferred capital contributions:

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

	2019	2018
Opening balance, September 1	\$ 153,767,703	\$ 141,990,209
Additions to deferred capital contributions	10,533,835	20,286,296
Transfer to financial asset	–	–
Revenue/adjustments recognized in the period	(8,638,736)	(8,508,802)
Ending balance, August 31	\$ 155,662,802	\$ 153,767,703

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

8. Tangible capital assets:

Cost	Balance at August 31, 2018	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2019
Land	\$ 3,949,232	\$ 9,206	\$ (112,601)	\$ 3,845,837
Land improvements	2,949,412	128,452	(329,411)	2,748,453
Buildings	217,848,424	7,291,681	13,779,558	238,919,663
Construction-in-progress	20,878,404	4,173,926	(20,746,028)	4,306,302
Portable structures	7,862,230	149,616	(153,800)	7,858,046
First-time equipping of schools	1,112,990	–	(183,862)	929,128
Furniture	181,412	249,446	(11,007)	419,851
Equipment	1,251,520	30,070	(57,801)	1,223,789
Computer hardware	778,501	384,080	(228,741)	933,840
Computer software	107,311	–	–	107,311
Vehicles	333,076	–	–	333,076
Total	\$ 257,252,512	\$ 12,416,477	\$ (8,043,693)	\$ 261,625,296

Accumulated amortization	Balance at August 31, 2018	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2019
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	1,453,170	269,847	(225,034)	1,497,983
Buildings	90,538,147	6,783,221	(4,262,114)	93,059,254
Construction-in-progress	–	–	–	–
Portable structures	3,950,595	400,429	(153,800)	4,197,224
First-time equipping of schools	727,068	102,106	(183,862)	645,312
Furniture	144,574	37,893	(11,007)	171,460
Equipment	754,794	132,201	(57,801)	829,194
Computer hardware	424,564	169,930	(228,741)	365,753
Computer software	54,298	21,462	–	75,760
Vehicles	228,216	39,258	–	267,474
Total	\$ 98,275,426	\$ 7,956,347	\$ (5,122,359)	\$ 101,109,414

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

8. Tangible capital assets (continued):

	Net book value August 31, 2019	Net book value August 31, 2018
Land	\$ 3,845,837	\$ 3,949,232
Land improvements	1,250,470	1,496,242
Buildings	145,860,409	127,310,277
Construction-in-progress	4,306,302	20,878,404
Portable structures	3,660,822	3,911,635
First-time equipping of schools	283,816	385,922
Furniture	248,391	36,838
Equipment	394,595	496,726
Computer hardware	568,087	353,937
Computer software	31,551	53,013
Vehicles	65,602	104,860
Total	\$ 160,515,882	\$ 158,977,086

Included in the disposals, write-offs and adjustments column are adjustments of \$635,511 (2018 - \$643,179) for the deemed disposal of assets.

During the year, CDSBEO sold Sacred Heart Catholic School for proceeds of disposition of \$374,050 resulting in a loss of \$70,921.

9. Debt charges and capital loans interest:

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

	2019	2018
Debt principal repayments and sinking fund contributions	\$ 3,680,387	\$ 3,533,817
Interest payments on long-term liabilities	2,947,938	3,178,422
	\$ 6,628,325	\$ 6,712,239

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

10. Expenses by object:

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

	2018-19 Budget	2018-2019 Actual	2017-2018 Actual
			(Recast – note 16)
Expenses by object:			
Salary and wages	\$ 121,040,600	\$ 120,053,732	\$ 118,412,309
Employee benefits	18,219,284	19,953,590	16,853,232
Staff development	1,001,983	717,287	941,189
Supplies and services	14,706,985	15,411,469	14,389,317
Interest	2,909,461	3,178,043	3,281,690
Rental expenses	85,255	40,233	122,809
Fees and contract services	18,438,409	20,084,540	21,660,386
Other	767,093	926,920	2,177,821
Amortization of tangible capital assets	8,826,745	8,753,451	8,879,668
	185,995,815	189,119,265	186,718,421
Transportation arbitration award (note 15)	–	–	(4,887,614)
	\$ 185,995,815	\$ 189,119,265	\$ 181,830,807

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

11. Ontario School Board Insurance Exchange (OSBIE):

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

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

12. Commitments and contingent liabilities:

(a) Litigation:

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

12. Commitments and contingent liabilities (continued):

(b) Guarantees:

The Board has guaranteed work relating to their capital projects with the respective municipalities in the amount of \$246,750.

(c) Contractual obligations:

The Board has a total of \$1,380,207 of contractual obligations at year end relating to the construction or renovation of buildings.

13. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
		(Recast – note 16)
Available for compliance - unappropriated		
Total operating accumulated deficit	\$ (881,122)	\$ (639,803)
Available for compliance - internally appropriated		
Workers' Safety Insurance Board (WSIB)	296,467	296,467
School budget carryover	401,383	403,875
ICT WAN	–	5,000
Assistive technology	17,588	17,589
ICT Repair Fund	–	36,643
Assessment	7,853	7,853
Educational support professional development	49,552	49,552
Sinking Fund Interest - committed	53,168	55,700
Special Incidence Portion - Special Education	280,162	279,393
Total accumulated surplus available for compliance	225,051	512,269
Unavailable for compliance		
Employee future benefits	(3,241,500)	(3,805,982)
Interest to be accrued	(826,185)	(886,429)
School generated funds (note 14)	1,476,648	1,430,283
Revenue recognized for land	3,942,738	3,949,232
Total accumulated surplus unavailable for compliance	1,351,701	687,104
Total accumulated surplus	\$ 1,576,752	\$ 1,199,373

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

14. School Generated Funds:

	2018-2019 Budget	2018-2019 Actual	2017-2018 Actual
Revenues:			
School fundraising and other	\$ 4,676,613	\$ 4,485,332	\$ 4,661,041
Expenses:			
School funded activities	4,719,427	4,438,967	4,571,882
Annual surplus (deficit)	(42,814)	46,365	89,159
Opening accumulated surplus - school generated funds	1,198,310	1,430,283	1,341,124
Closing accumulated surplus - school generated funds	\$ 1,155,496	\$ 1,476,648	\$ 1,430,283

15. Transportation consortium:

The Board is a member of the Student Transportation of Eastern Ontario ("STEO") consortium with the Upper Canada District School Board, effective February 1, 2012. The consortium will provide joint governance and administration of student transportation services provided to students registered with the two member boards. During the 2017-18 year STEO received an arbitrator's decision that resulted in significant increases to the rate paid to operators for the years ending August 2017, 2018, 2019 and future years. The Board has an overspending in transportation for 2018-19 in the amount of \$3,439,145 (2018 – recast \$4,887,614) for which no offsetting revenue has been received from the Province.

Related party transactions and balances with STEO include the following:

- (i) The Board paid STEO \$18,281,141 (2018 - \$20,961,998) for student transportation services in the year.
- (ii) The Board has a payable to STEO of \$197,791 (2018 - payable to STEO of \$6,632,728) for student transportation services.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

15. Transportation consortium (continued):

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

	2019	2018
	(Recast – note 16)	
Financial assets	\$ 3,740,626	\$ 17,504,173
Financial liabilities	3,936,370	17,787,944
Net debt	(195,744)	(283,771)
Non-financial assets	195,744	283,771
Accumulated surplus	\$ –	\$ –

	2019	2018
Revenue	\$ 47,130,405	\$ 51,249,070
Expenses	47,130,405	51,249,070
Annual deficit	\$ –	\$ –

16. Recast of comparative figures:

During the year ended August 31, 2018, an arbitration proceeding occurred between STEO and a group of school bus operators/service providers. A final and binding arbitration decision was imposed in August 2018, which resulted in estimated liabilities of \$6.3 million that was included in accounts payable and accrued liabilities on the statement of financial position and the statement of operations for the financial statements issued for the year ended August 31, 2018. Of the \$6,361,287 payable, \$3,081,239 related to the year ending August 2017 and \$3,280,048 related to the year ending August 2018. The payable was partially offset by \$513,328 in savings/recoveries, resulting in a net deficit of \$5,847,959. It was noted this amount may be further adjusted upon final settlement.

During the year ended August 31, 2019 a final settlement was reached that was \$960,345 lower than was initially estimated in the August 31, 2018 financial statements. The comparative financial statements have been recast to reflect the Board's portion of the actual payout resulting from the arbitration.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2019

16. Recast of comparative figures (continued):

The 2018 comparative figures for accounts payable and accrued liabilities and transportation arbitration award have been recast for the correction of this immaterial error, as follows:

	As reported	Correction	Recasted
Accounts payable and accrued liabilities	\$ 20,001,836	\$ (960,345)	\$ 19,041,491
Transportation arbitration award	5,847,959	(960,345)	4,887,614

17. Repayment of “55 School Board Trust” funding:

On June 1, 2003, the Board received \$5,138,566 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board’s debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

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

18. Comparative information:

Certain 2018 comparative information has been reclassified to conform to the presentation of the 2019 financial statements.