

KEEWATIN-PATRICIA DISTRICT SCHOOL BOARD

SPECIAL BOARD MEETING

Thursday, December 6, 2018

Teleconference

Time: Following Committee of the Whole

Lead Site: Kenora Education Centre

AGENDA

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Declaration of Conflict of Interest
5. 2017-2018 Financial Statements
6. 2017-2018 Audit Committee Meeting Report
7. Adjournment

All stakeholders create a culture of learning so that students come first.

Keewatin-Patricia District School Board

December 6, 2018

NOTICE OF MOTION

THAT the report on the Financial Statements for the year ended August 31, 2018, be received.

THAT the Financial Statements for the year ended August 31, 2018, be approved.

December 6, 2018

Management's Report on the 2017-18 Audited Financial Statements
(in thousands of dollars)

Overall, the financial picture for Keewatin-Patricia DSB looks good. The 2017-18 fiscal year saw a greater surplus than was approved in the budget passed by the Board. Overall expenses were down by \$945 compared to estimates, but all of the savings were realized by a \$980 reduction in employee benefit costs as a result of taking our rate stabilization fund for benefits off the books. The board also benefited from provincial grants to promote government initiatives in the classroom. Partnerships accounted for some of the extra funding; there were funds issued for programs to support NAN and wrap-around funding to support mental health programs.

The Board is compliant with all the Ministry of Education benchmarks.

FINANCIAL POSITION

Annual PSAB Surplus for the year amounted to **\$4,663**, increasing our **Accumulated Surplus** to **\$25,207** as of August 31, 2018. The increase is due to a combination of factors: \$2 million more in government grants than budgeted, \$1.5 million more in other revenue than budgeted, and the above-mentioned savings from the employee benefit plan.

Financial Assets increased by **\$4,662** resulting in a year-end balance of **\$47,067**. The increase is mainly attributable to the accounts receivable associated with the construction of the new high school in Sioux Lookout. Cash on hand also increased to support the financing of capital projects until the cash is flowed from the Ministry.

Liabilities increased by **\$15,595** over 2016-17, resulting in a year-end balance of **\$126,587**. Temporary borrowing is up \$188, accounts payable is up \$1,403 mainly due to timing of capital payments, and long term debt continues to be reduced as the principal is paid off. Deferred revenue has increased by \$535 over last fiscal year.

Non-Financial Assets increased by **\$15,595** resulting in a year-end balance of **\$104,727**. The increase is attributable to the new high school, roof replacements, and other capital projects.

OPERATING RESULTS

A variance report on operating revenues and expenses is attached in Appendix 1. Highlights and explanations for some of the more significant revenue and expense variances follow.

REVENUES - \$95,970

Local taxation revenues of **\$14,505** were \$883 lower than the estimates. This was due to tax write-offs. Fortunately, our overall funding is not affected by declines in local taxation because provincial grants are increased correspondingly to ensure we receive a total funding allocation that is based on enrolments and the provincial education funding model.

Provincial grants under the "Grants for Student Needs" or "GSN" funding model were **\$64,041**. This was \$837 higher than the estimates. This was mainly due to the decrease in local taxation.

Respectfully submitted by:
Richard Findlay, Superintendent of Business

Provincial Grants – Other at **\$3,225** was \$1,373 more than the estimates. This is because the estimates contain only known grants at the time the estimates are approved, and additional “other” grants are made throughout the year. These grants are to address provincial initiatives such as math strategies and student mental health needs.

Federal grants and fees revenues of **6,104** were \$826 higher than the estimates mainly due to higher than budgeted enrolment of other pupils.

Other Fees & Revenues of **\$2,435** were \$1,205 more than budget due to a number of projects and activities that were funded in year and not known at budget preparation time.

EXPENSES - \$91,307

Instruction expenses of **\$64,417** were \$688 less than the estimates. There was less spent on professional services, consultants, and computers than budgeted for the classroom.

Benefits and Sick Leave Plans

Benefit costs were less than estimated as the benefit formula was changed by the province and is out of the Board's control. Because some of the employee groups transitioned to the provincial plans later in the fiscal year than planned, some of the costs were lower than estimates. We expect that benefit costs will increase in 2018-19. Sick leave absences are becoming an increasing burden on the Board and we have identified this as an area to focus attention on.

Administration expenses of **\$4,226** were \$57 more than the estimates. This is mainly due to the higher-than-expected initial costs of the new SparkRock accounting software implementation.

Transportation expenses of **\$4,845** were \$165 lower than the estimates. This is partially the result of snow days when the operators receive only the fixed amount of the contract.

Pupil Accommodation expenses of **\$13,858** were \$522 less than the estimates. There were \$163 in savings on utilities / insurance and \$144 in savings on benefits because the CUPE group did not transition to the provincial plan until March 2018. There were further savings on contracts and interest on capital in the amount of \$117.

Other expenses of **\$1,650** were \$228 higher than the estimates.

COMPLIANCE

Surplus / Deficit

The 2017-18 surplus for Ministry of Education compliance purposes was **\$3,793**, which is better than the budgeted deficit of \$679. The Board was **compliant** with the “Balanced Budget Determination” requirement (i.e. deficit less than 1% of operating budget). Note that this is different from the “PSAB” surplus value of \$4,663 discussed earlier.

Administration and Governance

The net expenses of \$3,489 were less than the funding allocation of \$3,590. Therefore, the Board was **compliant** with this enveloping requirement.

Respectfully submitted by:
Richard Findlay, Superintendent of Business

APPENDIX 1

**Keewatin-Patricia District School Board
2017-18 Financial Statements**

Statement of Operations Variance Report (in thousands of dollars)	2016-17 Financial Statements	2017-18 Estimates (Original)	2017-18 Financial Statements	F/S vs Est Variance (\$)	F/S vs Est Variance (%)
REVENUES					
Local Taxation	15,086	15,388	14,505	-883	-5.7
Provincial Grants for Student Needs	61,923	66,374	67,053	679	1.0
Sub-total (Funding Allocation)	77,009	81,762	81,558	-204	-0.2
Provincial Grants - Other	2,214	1,852	3,225	1,373	74.1
School Generated Funds	2,452	2,166	2,383	217	10.0
Federal Grants and Fees	5,420	5,278	6,104	826	15.7
Investment Income	150	119	196	77	64.7
Other Revenues - School Boards	15	0	69	69	0.0
Other Fees & Revenues	2,107	1,229	2,435	1,206	98.1
TOTAL REVENUES	89,367	92,406	95,970	3,564	3.9
EXPENSES					
Instruction	62,876	65,105	64,417	-688	-1.1
Administration	3,958	4,169	4,226	57	1.4
Transportation	4,623	5,010	4,845	-165	-3.3
Pupil Accommodation	13,448	14,380	13,859	-521	-3.6
School Generated Funds	2,334	2,166	2,310	144	6.7
Other	1,467	1,422	1,650	228	16.0
TOTAL EXPENSES	88,706	92,252	91,307	-945	-1.0
ANNUAL SURPLUS	661	154	4,663	4,509	

Respectfully submitted by:
Richard Findlay, Superintendent of Business



**FINANCIAL
STATEMENTS**

2017 - 2018

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Keewatin-Patricia District School Board are the responsibility of the Board management and 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, 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.

The 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 their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada 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.

Sean Monteith
Director of Education

Richard Findlay
Chief Executive Officer

December 6, 2018

Independent Auditor's Report

To the Board of Trustees of Keewatin-Patricia District School Board

We have audited the accompanying consolidated financial statements of Keewatin-Patricia District School Board, which comprise the consolidated statement of financial position as at August 31, 2018, the consolidated statement of operations, consolidated statement of cash flows and consolidated statement of changes in net debt for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of Keewatin-Patricia District School Board as at and for the year ended August 31, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

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

Chartered Professional Accountants, Licenced Public Accountants

Kenora, Ontario
December 6, 2018

August 31, 2018

Consolidated Financial Statements
(in thousands of dollars)

Consolidated Statement of Financial Position
As at August 31

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents	14,099	11,512
Accounts receivable (Note 2)	32,903	30,852
Other	65	40
TOTAL FINANCIAL ASSETS	47,067	42,404
LIABILITIES		
Temporary borrowing (Note 7)	956	768
Accounts payable and accrued liabilities	9,055	7,651
Long term debt (Note 6)	26,440	28,627
Deferred revenue (Note 3)	4,114	3,579
Employee benefits payable (Note 5)	4,139	4,806
Deferred capital contributions (Note 4)	81,883	65,561
TOTAL LIABILITIES	126,587	110,992
NET DEBT	(79,520)	(68,588)
NON-FINANCIAL ASSETS		
Prepaid expenses	51	55
Tangible capital assets (Note 11)	104,676	89,077
TOTAL NON-FINANCIAL ASSETS	104,727	89,132
ACCUMULATED SURPLUS (Note 12)	25,207	20,544

Signed On Behalf Of The Board On December 6, 2018

Signature of Chief Executive Officer

Signature of Chair of the Board

August 31, 2018

Consolidated Financial Statements
(in thousands of dollars)

Consolidated Statement of Operations
For the year ended August 31

	2018 Budget	2018 Actual	2017 Actual
REVENUES			
Provincial grants - Grants for Student Needs	66,374	67,053	61,923
Provincial grants - Other	1,852	3,225	2,214
Local taxation	15,388	14,505	15,086
School generated funds	2,166	2,383	2,452
Federal grants and fees	5,278	6,104	5,420
Investment income	119	196	150
Other revenues - school boards	0	69	15
Other fees and revenues	1,229	2,435	2,107
TOTAL REVENUE	92,406	95,970	89,367
EXPENSES			
Instruction	65,105	64,417	62,876
Administration	4,169	4,226	3,958
Transportation	5,010	4,845	4,623
Pupil accommodation	14,380	13,859	13,448
School generated funds	2,166	2,310	2,334
Other	1,422	1,650	1,467
TOTAL EXPENSES	92,252	91,307	88,706
Annual Surplus	154	4,663	661
Accumulated Surplus at beginning of year	19,501	20,544	19,883
Accumulated Surplus at end of year	19,655	25,207	20,544

August 31, 2018

Consolidated Financial Statements
(in thousands of dollars)

Consolidated Statement of Cash Flows
For the year ended August 31

	2018	2017
OPERATING TRANSACTIONS		
Annual Surplus	4,663	661
Items not involving cash		
Amortization of tangible capital assets	4,078	3,858
Deferred capital contributions revenue	(3,012)	(2,843)
Net gain on disposal of tangible capital assets	0	(65)
Change in non-cash assets and liabilities		
Accounts receivable	(667)	915
Other financial assets	(24)	47
Accounts payable and accrued liabilities	1,403	520
Deferred revenue	(17)	891
Employee future benefits payable	(667)	(351)
Prepaid expenses	4	6
	5,761	3,639
CAPITAL TRANSACTIONS		
Proceeds on sale of tangible capital assets	0	113
Acquisition of tangible capital assets	(19,677)	(11,173)
Cash provided by (applied to) capital transactions	(19,677)	(11,060)
INVESTING TRANSACTIONS		
Investments	0	5,014
Cash provided by (applied to) investing transactions	0	5,014
FINANCING TRANSACTIONS		
Temporary borrowing	188	(255)
Debt repaid	(2,187)	(2,115)
Accounts receivable - Government of Ontario - Approved Capital	(1,383)	(4,199)
Net deferred capital contributions	19,334	10,415
Deferred revenues - capital	551	683
Cash provided by (applied to) financing transactions	16,503	4,529
Increase in Cash and Cash Equivalents	2,587	2,122
Opening Cash and Cash Equivalents	11,512	9,390
Closing Cash and Cash Equivalents	14,099	11,512

August 31, 2018

Consolidated Financial Statements
(in thousands of dollars)

Consolidated Statement of Change in Net Debt
For the year ended August 31

	2018 Budget	2018 Actual	2017 Actual
Annual Surplus	154	4,663	661
TANGIBLE CAPITAL ASSET ACTIVITY			
Acquisition of tangible capital assets	(24,589)	(19,677)	(11,173)
Amortization of tangible capital assets	4,173	4,078	3,858
Proceeds on sale of tangible capital assets	0	0	113
Net gain on disposal of tangible capital assets	0	0	(65)
Total tangible capital asset activity	(20,416)	(15,599)	(7,267)
OTHER NON-FINANCIAL ASSET ACTIVITY			
Acquisition of prepaid expenses	0	(51)	(53)
Use of prepaid expenses	0	55	59
Total other non-financial asset activity	0	4	6
increase in net debt	(20,262)	(10,932)	(6,600)
Net debt at beginning of year	(68,588)	(68,588)	(61,988)
Net debt at end of year	(88,850)	(79,520)	(68,588)

August 31, 2018

Notes to Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

All amounts referenced in these notes and financial statements are in thousands (000's) of Canadian dollars unless otherwise noted.

a) Basis of Accounting

The 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 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 depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

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

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

August 31, 2018

Notes to Consolidated Financial Statements

- 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 certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

b) Reporting Entity

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

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Northwestern Ontario Student Services Consortium is accounted for on a proportional consolidated basis, whereby each participating board reports its pro-rata share of the assets, liabilities, revenues and expenses of the consortium that are subject to shared control, combined on a line-by-line basis with similar line items.

Consolidated entities –
Northwestern Ontario Student Services Consortium
School Generated Funds

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

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) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

e) Investments

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

August 31, 2018

Notes to Consolidated Financial Statements

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.

f) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

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 contribution 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:

- a. Government transfers received or receivable for capital purpose
- b. Other restricted contributions received or receivable for capital purpose
- c. Property taxation revenues which were historically used to fund capital assets

h) Retirement and Other Employee Future Benefits

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

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals association the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: ETFO and OSSTF. The following ELHTs were established in 2017-2018: CUPE and a trust for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to the member employees.

These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to OSSTF, OSSTF-EW, ETFO, ETFO-EW, CUPE, principals and vice-principals and all other employees.

Upon transition of the employee groups' health, dental and life insurance benefits plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown Contribution as well as Stabilization Adjustment.

August 31, 2018

Notes to Consolidated Financial Statements

Depending on prior arrangements and employee group, the Board provides health, dental and life insurance benefits for some retired individuals.

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

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

For self-insured retirement and other employee future benefits that vest or 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 events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, 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) 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 of the 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.

August 31, 2018

Notes to Consolidated Financial Statements

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

Asset	Estimated Useful Life in Years
Land improvements with finite lives	15
Buildings and building improvements	40
Portable Structures	20
Other Buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10
Leasehold improvements	Over the lease term

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

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. 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.

j) Government Transfers

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

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same period as the asset is amortized.

August 31, 2018

Notes to Consolidated Financial Statements

k) Investment Income

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

l) Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

m) Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1a requires management to make estimates and assumptions that affect the reported amounts 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. Accounts subject to significant estimates include useful lives of tangible capital assets and liabilities for retirement and other employee future benefits. Actual results could differ from these estimates.

n) 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.

August 31, 2018

Notes to Consolidated Financial Statements

2. ACCOUNTS RECEIVABLE - GOVERNMENT OF ONTARIO

The Province of Ontario (Province) replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognized 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 \$26,767 as at August 31, 2018 (2017 - \$25,384) with respect to capital grants.

3. DEFERRED REVENUE

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2018 is comprised of:

	Balance as at August 31, 2017	Externally restricted revenue and investment income	Transfers to deferred capital contributions	Transfers to revenue	Balance as at August 31, 2018
Proceeds of Disposition	1,781	0	0	0	1,781
Minor Tangible Capital Assets	0	1,903	65	1,838	0
School Renewal	220	1,943	9	1,622	532
Retrofitting school space for child care	84	0	0	0	84
Other - Capital	527	2,125	705	1,181	766
Other - Operating	967	15,833	0	15,849	951
Total Deferred Revenue	3,579	21,804	779	20,490	4,114

August 31, 2018

Notes to Consolidated Financial Statements

4. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2018	2017
Balance, beginning of year	65,561	57,989
Additions to deferred capital contributions	19,334	10,441
Revenue recognized in the period	(3,012)	(2,843)
Disposals and transfers	0	(26)
Balance, end of year	81,883	65,561

5. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefit Liabilities	2018		2017	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued Employee Future Benefit Obligations (ABO) at August 31	3,846	559	4,405	5,209
Unamortized Actuarial Gains (Losses) at August 31	(266)	0	(266)	(403)
Employee Future Benefits Liability at August 31	3,580	559	4,139	4,806

Retirement and Other Employee Future Benefit Expenses	2018		2017	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Amortized loss	63	2	65	97
Current Year Benefit Cost	0	45	45	120
Interest	106	13	119	112
Employee Future Benefits Expenses¹	169	60	229	329

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

August 31, 2018

Notes to Consolidated Financial Statements

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2016 (date actuarial probabilities were determined) and based on updated average daily salary and banked sick days as at August 31, 2018. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018	2017
	%	%
Inflation	1.5	1.5
Wage and salary escalation	2.0	2.0
Insurance, health and dental care cost escalation	3.0-7.75	3.0-8.0
WSIB discount rate	2.90	2.55
Discount on accrued benefit obligations	2.90	2.55

Retirement Benefits

(i) Ontario Teacher's Pension Plan

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

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed \$ 1,417 (2017 - \$1,361) 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 has approximately 482,000 members. At December 31, 2017, the Plan has unfunded liability of \$5.4 billion. The actuary does not attribute portions of the unfunded liability to individual employers. The Board contributions equal the employee contributions to the plan.

August 31, 2018

Notes to Consolidated Financial Statements

(iii) Retirement Gratuities

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.

(iv) Retirement Life Insurance and Health Care Benefits

The Board provides life insurance, dental and health care benefits to a certain employee group after retirement until the members reach 65 years of age. 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. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

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 requires school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

(ii) Long-Term Disability Life Insurance and Health Care Benefits

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave. Employees in receipt of long-term disability benefits are responsible for the payment of the premium on life insurance and deemed premium on health care benefits. The Board is responsible for any costs in excess of the employee contributions through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(iii) Sick Leave Top-Up Benefits

A maximum of eleven unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in 2018 are \$50 (2017 - \$51).

August 31, 2018

Notes to Consolidated Financial Statements

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2018 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

6. LONG TERM DEBT

Debenture debt and capital loans reported on the Consolidated Statement of Financial Position comprises the following:

Capital Loans	Maturity Date	Rate	2018	2017
TD Canada Trust				
Loan #7 - monthly payments of \$146	6/30/2023	3.000%	7,870	9,360
Ontario Financing Authority				
Loan #1 - semi-annual payment of \$142	11/17/2031	4.560%	2,830	2,979
Loan #2 - semi-annual payments of \$64	3/3/2033	4.900%	1,326	1,385
Loan #3 - semi-annual payments of \$37	3/13/2034	5.062%	791	823
Loan #4 - semi-annual payments of \$30	3/9/2037	3.564%	825	855
Loan #5 - semi-annual payments of \$462	3/19/2038	3.799%	12,798	13,225
Balance as at August 31			26,440	28,627

Principal and interest payments relating to net debenture debt and capital loans outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
2019	2,261	957	3,218
2020	2,338	881	3,219
2021	2,418	801	3,219
2022	2,500	719	3,219
2023	2,296	634	2,930
Thereafter	14,627	4,367	18,994
Total	26,440	8,359	34,799

7. TEMPORARY BORROWING

The Board has an operating line of credit with a Canadian financial institution. The maximum drawings are \$5 million to address working capital requirements. Interest is payable at prime less 0.75% on loans and 0.25% on bankers' acceptances. At year end, nothing was drawn on its operating line. Subsequent to year-end, the credit limit was increased to \$12 million. The Board also has an interim construction facility consisting of bankers' acceptances to a maximum of \$22.6 million repayable on demand and no later than December 31, 2018 (reduced to \$8.68 million subsequent to year end). At year end, \$883 (2017 - \$674) was drawn

August 31, 2018

Notes to Consolidated Financial Statements

on this facility. Interest is payable at 0.40% on the bankers' acceptances. The Board also has temporary borrowing of \$73 (2017 - \$94) for credit cards as at August 31, 2018.

8. DEBT CHARGES AND CAPITAL LOANS INTEREST

	2018	2017
Principal payments on long-term liabilities	2,262	2,116
Interest payments on long-term liabilities	957	1,103
	3,219	3,219

9. EXPENSES BY OBJECT

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

	2018 Budget	2018 Actual	2017 Actual
Expenses:			
Salary and wages	57,276	58,837	56,685
Employee benefits	10,140	8,514	8,665
Staff development	471	566	507
Supplies and services	10,694	10,115	10,209
Interest charges on capital	1,157	1,024	1,096
Rental expenses	189	213	187
Fees and contract services	7,296	7,083	6,640
Other	856	877	859
Amortization of tangible capital assets	4,173	4,078	3,858
	92,252	91,307	88,706

10. BOARD PERFORMS DUTIES OF A MUNICIPAL COUNCIL

The Board performs the duties of levying and collecting taxes, conducting elections of members, etc. in territory without municipal organization. The outlay by the Board in 2018 in respect of performing duties of municipal council is reported by area in a separate statement. Since January 1, 2009, the City of Thunder Bay collects the taxes in territory without municipal organization on behalf of the Board.

Certain costs are recoverable through a levy on all rateable property in the area and other approved costs are recoverable through an offset to the local taxation revenue.

August 31, 2018

Notes to Consolidated Financial Statements

11. TANGIBLE CAPITAL ASSETS

	Cost			Balance September 1, 2017	Disposals	Balance August 31, 2018
	Balance September 1, 2017	Additions and Transfers				
Land	2,272	0	0	2,272		
Land Improvements	6,281	331	0	6,612		
Buildings	120,258	5,786	0	126,044		
Furniture and Equipment	3,745	110	820	3,035		
Vehicles	662	0	0	662		
Leasehold improvements	334	241	0	575		
Construction in Progress	6,489	13,209	0	19,698		
Total	140,041	19,677	820	158,898		

	Accumulated Amortization			Net Book Value	
	Balance September 1, 2017	Amortization	Disposals, Write-offs, Adjustments	Balance August 31, 2018	Balance August 31, 2017
	0	0	0	2,272	2,272
	1,505	426	0	4,681	4,776
	46,630	3,112	0	76,302	73,628
	2,325	397	820	1,133	1,420
	428	98	0	136	234
	76	45	0	454	258
	0	0	0	19,698	6,489
Total	50,964	4,078	820	104,676	89,077

a) Assets under construction

Assets under construction having a value of \$19,698 (2017 - \$6,489) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) Write-down of Tangible Capital Assets

The write-down of tangible capital assets during the year was \$nil (2017 - \$nil).

c) Asset inventories for resale (assets permanently removed from service)

The Board has not identified properties that qualify as "assets permanently removed from service".

August 31, 2018

Notes to Consolidated Financial Statements

12. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018	2017
Surplus		
Operating accumulated surplus	6,063	6,078
Amounts internally designated for future use	18,122	14,044
Employee future benefits	(2,389)	(3,178)
School Generated Funds	1,361	1,289
Other	2,050	2,311
Accumulated Surplus	25,207	20,544

13. TRUST FUNDS

Trust funds administered by the Board amounting to \$310 (2017 - \$309) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

14. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

The school 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. Liability insurance is available to a maximum of \$24,000 per occurrence.

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.

15. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

The Board has a contractual obligation through the Northwestern Ontario Student Services Consortium for transportation services with various providers to July 31, 2018. The Consortium has elected to invoke the mutual agreement clause to extend the transportation contract to July 31, 2020 with an option for a further extension to 2021 by mutual agreement. The value of the contract and portion attributable to the Board fluctuates year to year based on ridership and the routes added or subtracted. For 2018 – 2019, the contracts are valued at \$6,867 of which \$4,704 is estimated to be attributed to the Board.

During the normal course of operations, various proceedings and claims have been filed against the Board. The Board reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies and would not have a material effect on the consolidated financial position or future consolidated results of

August 31, 2018

Notes to Consolidated Financial Statements

operations of the Board. Accordingly, no provision has been made in these consolidated financial statements for any liability that may result. Any losses arising from these actions will be recorded in the year that the related litigation is settled.

At year end, contracts are in effect for the construction of the following capital projects:

Project	Estimated Cost	Percent Complete
Beaver Brae Secondary School; architect agreement	664 + net HST	31%
Dryden High School; Co-Gen boiler plant	925 + net HST	90%
Ear Falls PS; architect agreement	347 + net HST	28%
New Prospect PS; roof replacement	1,121 + net HST	76%
Sioux North High School; architect agreement	2,377 + net HST	74%
Sioux North High School; new construction	24,759 + net HST	68%
Red Lake District HS; roof replacement	793 + net HST	81%
Red Lake District HS; roof replacement phase 2	924 + net HST	6%
Sioux Mountain PS; child care planning (daycare/hub)	1,985 + net HST	76%
Tunable LED lighting Phase III (Honeywell)	744 + net HST	25%
Tunable LED lighting Phase IV (Honeywell)	187 + net HST	25%

16. SEGMENTED INFORMATION

The Keewatin-Patricia District School Board is a government institution that provides primarily education services. No additional disclosure on a segmented basis was considered necessary as the Board considers all the services and activities they provide to be encompassed in the segment of education.

17. PARTNERSHIP IN NORTHWESTERN ONTARIO STUDENT SERVICES CONSORTIUM

Effective the first day of the 2010-11 school year, the Board entered into an agreement with Kenora Catholic District School Board and The Northwest Catholic District School Board and Conseil Scolaire de District Catholique des Aurores Boreales in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities of Northwestern Ontario Student Services Consortium are shared. No partner is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro-rata share of revenues and expenses.

August 31, 2018

Notes to Consolidated Financial Statements

The following provides condensed financial information.

	2018		2017	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial Assets	76	47	87	54
Liabilities	76	47	87	54
Accumulated Surplus/(Deficit)	0	0	0	0
Operations:				
Revenues	6,287	4,308	6,032	4,303
Expenses	6,287	4,308	6,032	4,303
Annual Surplus/(Deficit)	0	0	0	0

18. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$9,353 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.

Keewatin-Patricia District School Board

December 6, 2018

NOTICE OF MOTION

THAT the Audit Committee Report of December 6, 2018 be received.

Report of the Chair of the Audit Committee

The Audit Committee met on December 6, 2018. The committee dealt with the following items:

1. Approved the minutes of the November 29, 2017 meeting.
2. Reviewed, discussed, and recommended to the Board for approval the 2017-18 audited financial statements. This included a review and discussion of the report of the external auditors on the audit of the financial statements.
3. Received a follow-up verbal report from management on the items in the management letter from the auditors regarding the 2016-17 financial statement audit.
4. Received the 2017-18 Annual Report to the Board re Internal Audit.
5. Received a written update from the internal auditors presented by Richard Findlay.
6. Received staff reports on any instances of fraud and legal matters.

The next meeting of the Audit Committee will be scheduled for a later date.

Respectfully submitted by,
Roger Griffiths, Chair of the Audit Committee