

**Bluewater District School Board
Consolidated Financial Statements
For the year ended August 31, 2017**

| | Contents |
|--|-----------------|
| Management Report | 2 |
| Independent Auditors' Report | 3 - 4 |
| Financial Statements | |
| Consolidated Statement of Financial Position | 5 |
| Consolidated Statement of Operations | 6 |
| Consolidated Statement of Cash Flow | 7 |
| Consolidated Statement of Change in Net Debt | 8 |
| Notes to Consolidated Financial Statements | 9 - 29 |



Bluewater District School Board

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Bluewater 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 judgment, 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 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.

A blue ink signature of Alana Murray, written in a cursive style.

Alana Murray
Director of Education and Secretary

A blue ink signature of Rob Cummings, written in a cursive style.

Rob Cummings
Superintendent of Business Services and
Treasurer

November 27, 2017



Independent Auditors' Report

To the Chair and Trustees of the Bluewater District School Board

We have audited the accompanying consolidated financial statements of the Bluewater District School Board, which comprise the consolidated statement of financial position as at August 31, 2017, and the consolidated statements of operations, change in net debt, and cash flows 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 controls 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 controls. 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 audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements of the Bluewater District School Board as at and for the year ended August 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describe 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario
November 27, 2017

Bluewater District School Board Consolidated Statement of Financial Position

| August 31 | 2017 | 2016 |
|---|----------------------|-----------------------|
| Financial Assets | | |
| Cash and cash equivalents | \$ 6,612,896 | \$ 8,752,505 |
| Accounts receivable | | |
| Municipalities | 6,265,442 | 6,948,562 |
| Government of Ontario - Approved Capital (Note 2) | 89,972,875 | 81,471,757 |
| Other | 8,821,666 | 5,310,752 |
| Assets held for sale | 577,440 | - |
| Total Financial Assets | 112,250,319 | 102,483,576 |
| Financial Liabilities | | |
| Accounts payable and accrued liabilities | 17,598,593 | 12,763,247 |
| Deferred revenue (Note 5) | 11,398,738 | 7,298,245 |
| Deferred capital contribution (Note 6) | 153,407,148 | 144,017,482 |
| Long-term liabilities (Note 7) | 82,098,263 | 85,831,074 |
| Obligations under capital leases | 240,934 | 228,307 |
| Employee future benefits payable (Note 8) | 16,715,499 | 18,410,249 |
| Total Financial Liabilities | 281,459,175 | 268,548,604 |
| Net Debt | (169,208,856) | (166,065,028) |
| Non-financial Assets | | |
| Prepaid expenses | 1,271,969 | 493,160 |
| Tangible capital assets (Note 3) | 168,243,934 | 159,977,438 |
| | 169,515,903 | 160,470,598 |
| Accumulated Surplus (Deficit) (Note 9) | \$ 307,047 | \$ (5,594,430) |

On behalf of the Board:

_____ Director of Education

_____ Chair of the Board

Bluewater District School Board Consolidated Statement of Operations

| For the year ended August 31 | Budget | 2017 | 2016 |
|---|-----------------------|--------------------|-----------------------|
| Revenues | | | |
| Provincial grants - in-lieu of local taxation | \$ 56,435,457 | \$ 55,473,142 | \$ 56,529,893 |
| Provincial grants - student focused | 129,966,573 | 131,289,837 | 129,349,568 |
| Provincial grants - other | 124,244 | 1,847,051 | 2,509,787 |
| Federal grants and fees | 1,361,452 | 1,664,663 | 1,388,870 |
| Other revenues - school boards | 238,168 | 284,353 | 306,767 |
| Other fees and revenues | 794,472 | 2,348,048 | 2,023,629 |
| Interest income | 40,000 | 95,882 | 76,066 |
| School fundraising | 6,098,263 | 6,015,736 | 5,888,064 |
| Amortization of deferred capital contributions | 7,778,343 | 9,007,766 | 7,934,872 |
| | <u>202,836,972</u> | <u>208,026,478</u> | <u>206,007,516</u> |
| Expenses (Note 13) | | | |
| Instruction | 144,724,176 | 145,603,044 | 147,646,382 |
| Administration | 5,788,769 | 5,790,128 | 5,430,863 |
| Transportation | 13,164,546 | 13,083,617 | 12,854,983 |
| Pupil accommodation | 29,203,323 | 30,786,468 | 30,222,220 |
| School funded activities | 6,098,263 | 6,073,214 | 5,903,369 |
| Other | 788,530 | 788,530 | 788,530 |
| | <u>199,767,607</u> | <u>202,125,001</u> | <u>202,846,347</u> |
| Annual Surplus (Deficit) | <u>3,069,365</u> | <u>5,901,477</u> | <u>3,161,169</u> |
| Accumulated Surplus (Deficit), beginning of year | (5,594,460) | (5,594,430) | (8,755,599) |
| Accumulated Surplus (Deficit), end of year | <u>\$ (2,525,095)</u> | <u>\$ 307,047</u> | <u>\$ (5,594,430)</u> |

The accompanying notes are an integral part of these financial statements.

Bluewater District School Board Consolidated Statement of Cash Flow

| For the year ended August 31 | 2017 | 2016 |
|---|---------------------|---------------------|
| Cash provided by (used in) | | |
| Operations | | |
| Annual surplus (deficit) | \$ 5,901,477 | \$ 3,161,169 |
| Sources and (uses) | | |
| Non-cash items including amortization and gain/loss on disposal | 10,396,993 | 8,960,594 |
| Decrease (increase) in accounts receivable | (11,328,912) | (2,212,907) |
| Increase (decrease) in accounts payable and accrued liabilities | 4,835,346 | 3,243,778 |
| Increase (decrease) in deferred capital contributions | 9,389,666 | (1,051,663) |
| Increase (decrease) in deferred revenues | 4,100,493 | 3,353,741 |
| Increase (decrease) in employee benefits payable | (1,694,750) | (3,451,419) |
| Increase (decrease) in prepaid expenses | (778,809) | (42,513) |
| Decrease (increase) in assets held for sale | - | 26,745 |
| Net increase (decrease) in cash from operations | <u>20,821,504</u> | <u>11,987,525</u> |
| Capital transactions | | |
| Proceeds on sale of tangible capital assets | 30,171 | 611,207 |
| Cash used to acquire tangible capital assets | <u>(19,271,100)</u> | <u>(6,887,363)</u> |
| | <u>(19,240,929)</u> | <u>(6,276,156)</u> |
| Financing transactions | | |
| Debt repaid and sinking fund contributions | (3,732,811) | (3,750,918) |
| Increase (decrease) in capital lease obligations | <u>12,627</u> | <u>304</u> |
| | <u>(3,720,184)</u> | <u>(3,750,614)</u> |
| Change in cash and cash equivalents | <u>(2,139,609)</u> | <u>1,960,755</u> |
| Cash and cash equivalents, beginning of year | <u>8,752,505</u> | <u>6,791,750</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,612,896</u> | <u>\$ 8,752,505</u> |

The accompanying notes are an integral part of these financial statements.

**Bluewater District School Board
Consolidated Statement of Change in Net Debt**

| For the year ended August 31 | 2017 | 2016 |
|--|--------------------------------|--------------------------------|
| Annual Surplus (Deficit) | <u>\$ 5,901,477</u> | <u>\$ 3,161,169</u> |
| Tangible Capital Asset Activity | | |
| Acquisition of tangible capital assets | (19,271,100) | (6,887,363) |
| Amortization of tangible capital assets | 10,422,857 | 9,567,649 |
| (Gain) Loss on sale of tangible capital assets | (25,864) | (580,310) |
| Proceeds on sale of tangible capital assets | 30,171 | 611,207 |
| Transfer to (from) assets held for sale | 577,440 | (26,745) |
| | <u>(8,266,496)</u> | <u>2,684,438</u> |
| Other Non-Financial Asset Activity | | |
| Acquisition of prepaid expenses | (1,271,969) | (493,160) |
| Use of prepaid expenses | 493,160 | 450,647 |
| | <u>(778,809)</u> | <u>(42,513)</u> |
| (Increase) Decrease in Net Debt | (3,143,828) | 5,803,094 |
| Net Debt, beginning of year | <u>(166,065,028)</u> | <u>(171,868,122)</u> |
| Net Debt, end of year | <u>\$ (169,208,856)</u> | <u>\$ (166,065,028)</u> |

The accompanying notes are an integral part of these financial statements.

Bluewater District School Board

Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies

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

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

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

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 (Note 6).

Bluewater District School Board

Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (Continued)

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 Bluewater District School Board ("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.

Consolidated entities:

- Transportation 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 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.

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 expenses are incurred or services performed.

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (Continued)

g) Deferred Capital Contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital 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:

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

h) Retirement and Other Employee Future Benefits

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

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: ETFO, OSSTF, and OSSTF-EW. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date in the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting February 1, 2017, the Board is no longer responsible to provide certain benefits to ETFO, OSSTF and OSSTF-EW. Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups: CUPE, Principals/Vice-Principals and Non-union employees, and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans.

Bluewater District School Board

Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (Continued)

h) Retirement and Other Employee Future Benefits (Continued)

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

- i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimates of insurance and health care cost 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 (if applicable) and years of services 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.

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (Continued)

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. Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also recorded as revenue.

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.

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 | 20-40 |
| Portable structures | 20 |
| Furniture and equipment | 5-15 |
| Computer hardware and software | 5 |
| Vehicles | 5-10 |

Assets under construction 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 net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and 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 historical assets are not recorded as assets in these consolidated financial statements.

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (Continued)

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 periods as the asset is amortized.

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 accommodations, education development charges and special education forms part of the respective deferred revenue balances.

l) Long-term Debt

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

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (Continued)

m) 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.

n) Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described in Note 1 a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates include retirement and other employee future benefits and accrued liabilities. Actual results may vary from current estimates.

o) 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.

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

2. Accounts Receivable - 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.

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Opening Balance | \$ 81,471,757 | \$ 79,413,837 |
| Add funding for current year capital projects: | | |
| Full day Kindergarten | - | 38,123 |
| School Condition Improvement | 8,302,130 | 5,136,962 |
| Capital priorities | 6,029,992 | - |
| Other projects | 3,914,198 | 135,093 |
| | 18,246,320 | 5,310,178 |
| Net funding for permanently financed projects: | | |
| Debt payments received - Ontario Financing Authority | (2,526,206) | (2,420,123) |
| Debt payments received - other debt | (687,202) | (649,013) |
| | (3,213,408) | (3,069,136) |
| Net funding for non-permanently financed projects: | | |
| Full day Kindergarten | (726) | (183,122) |
| Capital priorities | (649,097) | - |
| School condition improvement | (5,881,971) | - |
| | (6,531,794) | (183,122) |
| Closing Balance | \$ 89,972,875 | \$ 81,471,757 |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

3. Tangible Capital Assets

| | Balance August 31, 2016 | Additions | Disposals | Balance August 31, 2017 |
|---------------------------------|----------------------------|----------------------|-----------------------|----------------------------|
| Cost | | | | |
| Land | \$ 3,377,929 | \$ 302,920 | \$ (11,000) | \$ 3,669,849 |
| Land improvements | 8,335,631 | 781,493 | (29,151) | 9,087,973 |
| Buildings | 237,258,369 | 15,690,320 | (2,500,692) | 250,447,997 |
| Portable structures | 915,607 | - | - | 915,607 |
| Computers | 4,065,730 | 534,930 | (1,067,458) | 3,533,202 |
| Furniture and equipment | 5,119,100 | 102,405 | (1,167,355) | 4,054,150 |
| Vehicles | 589,811 | 62,758 | (91,304) | 561,265 |
| Construction in progress | 135,094 | 1,796,274 | - | 1,931,368 |
| | <u>\$ 259,797,271</u> | <u>\$ 19,271,100</u> | <u>\$ (4,866,960)</u> | <u>\$ 274,201,411</u> |
| Accumulated Amortization | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Land improvements | 3,153,714 | 601,715 | (18,715) | 3,736,714 |
| Buildings | 90,393,103 | 8,533,601 | (1,940,381) | 96,986,323 |
| Portable structures | 589,316 | 46,347 | - | 635,663 |
| Computers | 2,212,113 | 759,893 | (1,067,458) | 1,904,548 |
| Furniture and equipment | 2,994,041 | 439,924 | (1,167,355) | 2,266,610 |
| Vehicles | 477,546 | 41,377 | (91,304) | 427,619 |
| Construction in progress | - | - | - | - |
| | <u>\$ 99,819,833</u> | <u>\$ 10,422,857</u> | <u>\$ (4,285,213)</u> | <u>\$ 105,957,477</u> |
| Net Book Value | | | | |
| Land | \$ 3,377,929 | | | \$ 3,669,849 |
| Land improvements | 5,181,917 | | | 5,351,259 |
| Buildings | 146,865,266 | | | 153,461,674 |
| Portable structures | 326,291 | | | 279,944 |
| Computers | 1,853,617 | | | 1,628,654 |
| Furniture and equipment | 2,125,059 | | | 1,787,540 |
| Vehicles | 112,265 | | | 133,646 |
| Construction in progress | 135,094 | | | 1,931,368 |
| | <u>\$ 159,977,438</u> | | | <u>\$ 168,243,934</u> |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

3. Tangible Capital Assets (Continued)

| | Balance August 31, 2015 | Additions | Disposals | Balance August 31, 2016 |
|---------------------------------|----------------------------|---------------------|-----------------------|----------------------------|
| Cost | | | | |
| Land | \$ 3,377,929 | \$ - | \$ - | \$ 3,377,929 |
| Land improvements | 6,567,651 | 1,785,783 | (17,803) | 8,335,631 |
| Buildings | 233,618,888 | 3,639,481 | - | 237,258,369 |
| Portable structures | 915,607 | - | - | 915,607 |
| Computers | 4,888,959 | 1,051,441 | (1,874,670) | 4,065,730 |
| Furniture and equipment | 5,622,547 | 209,654 | (713,101) | 5,119,100 |
| Vehicles | 609,631 | 72,550 | (92,370) | 589,811 |
| Construction in progress | 6,639 | 135,094 | (6,639) | 135,094 |
| | <u>\$ 255,607,851</u> | <u>\$ 6,894,003</u> | <u>\$ (2,704,583)</u> | <u>\$ 259,797,271</u> |
| Accumulated Amortization | | | | |
| Land | - | - | - | - |
| Land improvements | 2,658,847 | 508,517 | (13,650) | 3,153,714 |
| Buildings | 82,858,390 | 7,534,713 | - | 90,393,103 |
| Portable structures | 542,969 | 46,347 | - | 589,316 |
| Computers | 3,191,314 | 895,469 | (1,874,670) | 2,212,113 |
| Furniture and equipment | 3,178,030 | 529,112 | (713,101) | 2,994,041 |
| Vehicles | 516,425 | 53,491 | (92,370) | 477,546 |
| Construction in progress | - | - | - | - |
| | <u>\$ 92,945,975</u> | <u>\$ 9,567,649</u> | <u>\$ (2,693,791)</u> | <u>\$ 99,819,833</u> |
| Net Book Value | | | | |
| Land | \$ 3,377,929 | | | \$ 3,377,929 |
| Land improvements | 3,908,804 | | | 5,181,917 |
| Buildings | 150,760,498 | | | 146,865,266 |
| Portable structures | 372,638 | | | 326,291 |
| Computers | 1,697,645 | | | 1,853,617 |
| Furniture and equipment | 2,444,517 | | | 2,125,059 |
| Vehicles | 93,206 | | | 112,265 |
| Construction in progress | 6,639 | | | 135,094 |
| | <u>\$ 162,661,876</u> | | | <u>\$ 159,977,438</u> |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

4. Bank Borrowings

The Board has lines of credit available to a maximum of \$15 million to address operating requirements.

The bank line of credit is due on demand, bears interest at a negotiated rate related to prime payable monthly and is secured by a borrowing resolution dated June 20, 2017.

5. 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, 2017 is comprised of:

| | Balance as at August 31 2016 | Externally Restricted Revenue | Revenue Recognized in the Period | Transfers (to) deferred capital contributions | Balance as at August 31 2017 |
|-------------------------------------|---------------------------------------|-------------------------------------|---|--|---------------------------------------|
| Education Programs | | | | | |
| - Other (EPO) | \$ 423,165 | \$ 1,848,564 | \$(1,420,906) | \$ - | \$ 850,823 |
| CODE Technology | - | 270,188 | - | (270,188) | - |
| Special Education | 1,638,822 | 582,096 | (498,620) | - | 1,722,298 |
| School Renewal | 3,661,088 | 3,421,109 | (371,991) | - | 6,710,206 |
| Third party | 584,025 | 1,378,073 | (1,527,375) | - | 434,723 |
| Ministry of Advanced Education | 15,371 | 101,949 | (117,320) | - | - |
| Minor TCA | - | 4,588,602 | (4,158,698) | (429,904) | - |
| Capital Priorities | - | - | - | - | - |
| New School Condition Improvement | - | - | - | - | - |
| Assets held for sale | - | 566,440 | - | - | 566,440 |
| School generated funds | - | 21,768 | - | (21,768) | - |
| Student achievement | 113,691 | 1,325,151 | (1,198,620) | - | 240,222 |
| Proceeds of Disposition | 834,074 | - | - | - | 834,074 |
| Other | 28,009 | 136,161 | (124,218) | - | 39,952 |
| | \$ 7,298,245 | \$14,240,101 | \$(9,417,748) | \$(721,860) | \$ 11,398,738 |

**Bluewater District School Board
Notes to the Consolidated Financial Statements**

August 31, 2017

6. Deferred Capital Contributions

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

| | <u>2017</u> | <u>2016</u> |
|---|-----------------------|-----------------------|
| Balance, beginning of the year | \$ 144,017,482 | \$ 145,069,145 |
| Additions to deferred capital contributions | 17,675,573 | 33,970 |
| Revenue recognized in the period | (9,007,767) | (7,934,872) |
| Transfers from (to) deferred revenue | 721,860 | 6,849,239 |
| Balance, end of the year | <u>\$ 153,407,148</u> | <u>\$ 144,017,482</u> |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

7. Net Long-Term Liabilities

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Loan, Ontario Financing Authority, 5.23%, repayable \$167,576 semi-annual principal and interest, due April 2035 | \$ 3,865,485 | \$ 3,993,356 |
| Loan, Ontario Financing Authority, 5.06%, repayable \$212,558 semi-annual principal and interest, due March 2034 | 4,776,212 | 4,952,824 |
| Loan, Ontario Financing Authority, 5.38%, repayable \$303,975 semi-annual principal and interest, due May 2034 | 6,715,459 | 6,952,245 |
| Loan, Ontario Financing Authority, 3.80%, repayable \$639,823 semi-annual principal and interest, due March 2038 | 18,308,797 | 18,876,661 |
| Loan, Ontario Financing Authority, 4.56%, repayable \$463,092 semi-annual principal and interest, due November 2031 | 9,747,710 | 10,213,412 |
| Debenture, 5.8%, repayable \$752,355 semi-annual principal and interest, due November 2028 | 12,501,054 | 13,248,055 |
| Loan, Ontario Financing Authority, 3.56%, repayable \$172,186 semi-annual principal and interest, due March 2037 | 4,863,737 | 5,030,300 |
| Loan, Ontario Financing Authority, 4.83%, repayable \$63,850 semi-annual principal and interest, due March 2036 | 1,566,670 | 1,616,826 |
| Loan, Ontario Financing Authority, 4.9%, repayable \$461,770 semi-annual principal and interest, due March 2033 | 10,074,358 | 10,488,957 |
| Demand instalment loan, CIBC, 4%, repayable \$23,712 monthly principal and interest | 1,421,675 | 1,644,493 |
| Loan, Ontario Financing Authority, 4.04%, repayable \$453,547 semi-annual principal and interest, due October 2028 | 8,257,106 | 8,813,945 |
| | \$ 82,098,263 | \$ 85,831,074 |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

7. Net Long-Term Liabilities (Continued)

Principal and interest payments relating to net long-term liabilities outstanding of \$82,098,263 as at August 31, 2017 payable over the next five fiscal years and thereafter are as follows:

| | Principal | Interest | Total |
|------------|----------------------|----------------------|-----------------------|
| 2018 | \$ 3,909,562 | \$ 3,756,445 | \$ 7,666,007 |
| 2019 | 4,094,907 | 3,571,101 | 7,666,008 |
| 2020 | 4,289,270 | 3,376,738 | 7,666,008 |
| 2021 | 4,493,103 | 3,172,904 | 7,666,007 |
| 2022 | 4,712,622 | 2,959,126 | 7,671,748 |
| Thereafter | 60,598,799 | 17,886,643 | 78,485,442 |
| | <u>\$ 82,098,263</u> | <u>\$ 34,722,957</u> | <u>\$ 116,821,220</u> |

8. Retirement and Other Employee Future Benefits

| | | | 2017 | 2016 |
|--|------------------------|-----------------------------------|----------------------|----------------------|
| | Retirement Benefits | Other Employee Future Benefits | Total | Total |
| Accrued Benefit Obligations at August 31 | \$ 16,022,533 | \$ 1,963,376 | \$ 17,985,909 | \$ 20,345,602 |
| Unamortized Actuarial Gains (Losses) | (1,225,756) | (44,654) | (1,270,410) | (1,935,353) |
| Employee Future Benefits Liability at August 31 | <u>\$ 14,796,777</u> | <u>\$ 1,918,722</u> | <u>\$ 16,715,499</u> | <u>\$ 18,410,249</u> |

Retirement and Other Employee Future Benefit Expenses

| | | | | |
|---------------------------------------|-------------------|-------------------|---------------------|-------------------|
| Current year benefit cost | \$ - | \$ 758,865 | \$ 758,865 | \$ 471,513 |
| Interest on accrued benefit | 355,681 | 35,098 | 390,779 | 525,347 |
| Amortization (gain) loss | 281,395 | 2,335 | 283,730 | 113,168 |
| Voluntary early payout (gain)/loss | - | - | - | (119,526) |
| Employee Future Benefits Expense | <u>\$ 637,076</u> | <u>\$ 796,298</u> | <u>\$ 1,433,374</u> | <u>\$ 990,502</u> |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

8. Retirement and Other Employee Future Benefits (Continued)

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2017 are based on the actuarial assumptions of future events determined for accounting purposes at August 31, 2017. 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:

| | 2017 | 2016 |
|---|------------|------------|
| Inflation | 1.5% | 1.5% |
| Insurance and health care cost escalation | 3.0 - 8.00 | 3.0 - 8.00 |
| Discount on accrued benefit obligations | 2.55 | 2.05 |

Retirement Benefits

(i) Ontario Teacher's Pension Plan

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

(ii) Ontario Municipal Employees Retirement System

All 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. Employees contribute at rates from 9.0% to 15.8% (2016 - 9.0% to 15.8%) of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2017, the Board contributed \$2,407,457 (2016 - \$2,395,329) 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 financial statements. At December 31, 2016 OMERS reported an actuarial funding deficit of \$5.7 billion (2015 - \$7.0 billion).

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

8. Retirement and Other Employee Future Benefits (Continued)

(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. During the year ended August 31, 2017, the Board paid \$2,948,879 in retirement gratuities (2016 - 3,240,046).

(iv) Retirement 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 members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums may be 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 the board subsidized premiums or contributions.

Other Employee Future Benefits

(i) Workplace Safety & Insurance Board Obligations

The Board is a Schedule 2 employer under the Workplace Safety & 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 financial statements. School boards are required to provide salary top-up to a maximum of 4 1/2 years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such provision. During the year ended August 31, 2017, the Board paid \$677,482 in benefits (2016 - \$401,001).

(ii) Sick Leave Benefits

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 illness paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$105,139 (2016 - \$82,773).

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, 2017 and is based on the average daily salary and banked sick days of employees as at August 31, 2017.

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

9. Accumulated Surplus

Accumulated surplus consists of the following:

| | 2017 | 2016 |
|--|--------------|----------------|
| Operating accumulated surplus (deficit) | \$ - | \$ - |
| Invested in non-depreciable tangible capital assets (Note 3) | 3,377,929 | 3,377,929 |
| Reserves and reserve funds | | |
| set aside for specific purpose by the board (Note 10) | 6,568,324 | 3,994,645 |
| Amounts to be recovered (Note 11) | (12,145,160) | (15,530,436) |
| School generated funds | 2,505,954 | 2,563,432 |
| | \$ 307,047 | \$ (5,594,430) |

10. Reserves and Reserve Funds

| | 2017 | 2016 |
|--|--------------|--------------|
| Reserve for working funds | \$ 3,911,738 | \$ 1,753,239 |
| Reserve for workers compensation | 2,038,915 | 1,607,525 |
| Reserve for capital | 363,586 | 363,586 |
| Reserve for sinking fund interest | 165,447 | 188,947 |
| Reserve for capital improvements - East Ridge Auditorium | 88,638 | 81,348 |
| | \$ 6,568,324 | \$ 3,994,645 |

11. Amounts to be Recovered in Future Years

The amounts to be recovered in future years reported on the Consolidated Statement of Financial Position are comprised of:

| | 2017 | 2016 |
|--|---------------|---------------|
| Amounts to be financed in future years | | |
| Employee future benefits liability | \$ 11,037,036 | \$ 14,372,426 |
| Interest accrual | 1,108,124 | 1,158,010 |
| | \$ 12,145,160 | \$ 15,530,436 |

**Bluewater District School Board
Notes to the Consolidated Financial Statements**

August 31, 2017

12. Debt Charges and Capital Loan Interest

| | 2017 | 2016 |
|---|--------------|--------------|
| Principal payments on long-term liabilities | \$ 3,732,811 | \$ 3,750,918 |
| Interest payments on long-term liabilities | 3,883,308 | 4,072,649 |
| | \$ 7,616,119 | \$ 7,823,567 |

13. Expenses by Object

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

| | 2017 Budget | 2017 Actual | 2016 Actual |
|---|----------------|----------------|----------------|
| Expenses | | | |
| Salary and wages | \$ 131,443,466 | \$ 131,277,603 | \$ 133,013,897 |
| Employee benefits | 20,390,816 | 21,362,086 | 21,271,950 |
| Staff development | 219,195 | 400,042 | 300,481 |
| Supplies and services | 10,724,303 | 10,593,937 | 10,771,486 |
| Interest | 3,932,937 | 3,883,308 | 4,072,649 |
| Rental | 14,014 | 14,541 | 14,546 |
| Fees & Contract services | 16,946,220 | 17,304,576 | 17,137,637 |
| Other | 788,530 | 788,530 | 788,530 |
| Amortization of tangible capital assets | 9,209,863 | 10,427,164 | 9,571,802 |
| School funded activities | 6,098,263 | 6,073,214 | 5,903,369 |
| | \$ 199,767,607 | \$ 202,125,001 | \$ 202,846,347 |

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

14. Ontario School Board Insurance Exchange

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. Liability insurance is available to a maximum of \$24 million 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.

There are ongoing legal cases with uncertain outcomes that could affect future premiums paid by the Board.

15. Contributions from First Nation Bands

The Board provides education for certain students from the Chippewas of the Saugeen First Nation and the Chippewas of Nawash Unceded First Nation. During the year the costs associated with this service, which are fully recoverable from the bands, were Chippewas of the Saugeen Band \$1,396,290 (2016 - \$1,167,361) and Chippewas of the Nawash Band \$212,290 (2016 - \$219,113).

16. Trust Funds

Trust funds and their related operations administered by the Board have not been included in the consolidated financial statements. As at August 31, 2017, the Scholarship Trust Fund balance was \$2,723,587 (2016 - \$2,904,283).

17. Contractual Obligations

The Board has commitments with respect to outstanding construction contracts relating to school accommodations as at August 31, 2017, in the amount of approximately \$23,782,000 (2016 - \$740,000).

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

18. Repayment of The 55 School Board Trust Funding

On June 1, 2003, the Board received \$10,584,205 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 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 not permanently financed debt.

As a result of the above agreement, the liability in respect of the not permanently financed debt is no longer reflected in the board's financial position. The amount paid to the trust during the year was \$788,530 (2016 - \$788,530).

19. Segment Information

The major functional classification of activities that the Board operates in is education and the reportable segment is education.

Bluewater District School Board Notes to the Consolidated Financial Statements

August 31, 2017

20. Partnership in Student Transportation Service Consortium of Grey-Bruce

On January 31, 2007, the Bluewater District School Board entered into an agreement with the Conseil Scolaire des ecoles catholiques du Sud-Ouest and the Bruce-Grey Catholic District School Board 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 the Student Transportation Service Consortium of Grey-Bruce are shared. No partner is in a position to exercise unilateral control. Effective June 30, 2012, the Conseil Scolaire des ecoles catholiques du Sud-Ouest is no longer part of the consortium.

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.

The following provides condensed financial information.

| | 2017 | | 2016 | |
|--------------------------|------------|------------------|------------|------------------|
| | Total | Board Portion | Total | Board Portion |
| Operations: | | | | |
| Revenues | \$ 473,345 | \$ 265,345 | \$ 468,453 | \$ 270,537 |
| Expenses | 473,345 | 265,345 | 468,453 | 270,537 |
| Annual Surplus (Deficit) | \$ - | \$ - | \$ - | \$ - |
