

**Limestone District School Board
Agenda
Audit Committee Meeting**

**Monday, November 12, 2018
Limestone Education Centre
220 Portsmouth Avenue, Kingston
Barry C. O'Connor Boardroom – 5:30 p.m.**

Approval of the Agenda

Declaration of Conflict of Interest

Motion to Private Session (approximately 5:30 to 6:15 pm)

In accordance with the Education Act, Section 207. (2) a meeting of a committee of a board including a committee of the whole board, may be closed to the public when the subject under consideration involves,

- (a) The security of the property of the board;
- (b) The disclosure of intimate, personal or financial information in respect of a meeting of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian;
- (c) The acquisition or disposal of a school site;
- (d) Decisions in respect of negotiations with employees of the board; or
- (e) Litigation affecting the board.

Information Items

1. Report on Draft 2017-2018 Consolidated Financial Statements
(Report appended)

2. Audit Findings Report
(Report appended)

Committee to Rise and Report

Public Session

(approximately 6:15 pm)

Action Items

3. Presentation of *Draft* 2017-2018 Consolidated Financial Statements

(Report appended)

Motions:

1. That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2018.
2. That the 2017-2018 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 14, 2018 Board meeting.

4. Audit Committee Annual *Draft* Report to the Board

(Report appended)

Other Business

Next Meeting Date

Monday, May 6, 2019

Adjournment

Consolidated Financial Statements of

**THE LIMESTONE DISTRICT
SCHOOL BOARD**

Year ended August 31, 2018

DRAFT

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2018

Management Report

Independent Auditors' Report

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MANAGEMENT REPORT

Year ended August 31, 2018

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of The Limestone District School Board ("Board") are the responsibility of 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.

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

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

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

Director of Education

Superintendent of Business Services
and Treasurer

November 14, 2018

INDEPENDENT AUDITORS' REPORT

To the Trustees of The Limestone District School Board

We have audited the accompanying consolidated financial statements of The Limestone District School Board, which comprise the consolidated statement of financial position as at August 31, 2018, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of The Limestone District School Board as at 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 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 14, 2018

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 33,629,041	\$ 20,274,581
Accounts receivable:		
Municipalities	5,177,105	5,170,048
Government of Ontario (note 2)	98,798,892	93,169,347
Other	4,702,540	7,020,595
Investments	1,398,354	1,427,565
Total financial assets	143,705,932	127,062,136
Financial liabilities:		
Temporary borrowing (note 3)	10,063,000	820,000
Accounts payable and accrued liabilities	22,711,883	15,015,940
Net long-term liabilities (note 8)	78,326,457	85,023,957
Deferred revenue (note 5)	16,156,477	11,848,964
Funds held in trust	1,496,493	1,516,116
Employee benefit liability (note 4(d))	10,320,830	10,679,266
Deferred capital contributions (note 6)	197,664,039	177,908,165
Total financial liabilities	336,739,179	302,812,408
Net debt	(193,033,247)	(175,750,272)
Non-financial assets:		
Prepaid expenses	1,683,538	1,205,510
Tangible capital assets (note 13)	205,431,153	184,416,286
Total non-financial assets	207,114,691	185,621,796
Contingent liabilities and commitments (notes 10 and 11)		
Accumulated surplus	\$ 14,081,444	\$ 9,871,524

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

On Behalf of the Board:

Director of Education

Chair of the Board

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

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

	Budget	2018	2017
Revenues:			
Municipal grants	\$ 62,096,382	\$ 61,031,973	\$ 62,569,326
Provincial grants:			
Grants for student needs	193,768,850	193,385,012	182,879,465
Other	4,646,317	5,904,469	3,804,207
Federal grants and fees	111,148	101,167	140,825
Investment income	280,000	706,279	307,205
Other	5,777,078	6,329,011	6,729,063
School fundraising	6,000,000	6,009,898	6,304,208
	<u>272,679,775</u>	<u>273,467,809</u>	<u>262,734,299</u>
Expenses (note 15):			
Instruction	194,640,653	192,294,687	185,815,109
Administration	7,179,158	7,169,389	6,883,508
Transportation	15,611,772	15,471,947	14,824,644
Pupil accommodation	45,608,251	44,234,540	43,563,577
Other	2,150,377	4,051,509	2,090,075
School funded activities	6,000,000	6,035,817	6,134,447
	<u>271,190,211</u>	<u>269,257,889</u>	<u>259,311,360</u>
Annual surplus	1,489,564	4,209,920	3,422,939
Accumulated surplus, beginning of year	9,871,524	9,871,524	6,448,585
Accumulated surplus, end of year (note 17)	<u>\$ 11,361,088</u>	<u>\$ 14,081,444</u>	<u>\$ 9,871,524</u>

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

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

	2018	2017
Annual surplus	\$ 4,209,920	\$ 3,422,939
Acquisition of tangible capital assets	(36,450,881)	(13,455,078)
Amortization of tangible capital assets	15,436,014	13,378,193
Loss (gain) on disposal of tangible capital assets	(3,981)	36,329
Proceeds on sale of tangible capital assets	1,629,753	308,445
Gain on sale allocated to deferred revenue	(1,625,772)	(268,339)
	(16,804,947)	3,422,489
Acquisition of prepaid expenses	(478,028)	(533,226)
Decrease (increase) in net debt	(17,282,975)	2,889,263
Net debt, beginning of year	(175,750,272)	(178,639,535)
Net debt, end of year	\$ (193,033,247)	\$ (175,750,272)

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

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

	2018	2017
Operating transactions:		
Annual surplus	\$ 4,209,920	\$ 3,422,939
Non-cash items including:		
Amortization, write downs and gain/loss on disposal	15,432,033	13,414,522
Amortization of deferred capital contributions	(15,343,151)	(13,292,265)
Deferred gain on disposal of tangible capital assets	(1,625,772)	(268,339)
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable - municipalities and other	2,310,998	(1,541,823)
Increase (decrease) in accounts payable and accrued liabilities	7,695,943	(3,544,380)
Increase (decrease) in deferred revenue	36,269	(175,026)
Increase (decrease) in funds held in trust	(19,623)	69,334
Decrease in employee benefit liability	(358,436)	(1,013,268)
Increase in prepaid expenses	(478,028)	(533,226)
	7,650,233	(6,884,471)
Cash provided by (applied to) operating transactions	11,860,153	(3,461,532)
Capital transactions:		
Cash used to acquire tangible capital assets	(36,450,881)	(13,455,078)
Proceeds on sale of tangible capital assets	1,629,753	308,445
Cash applied to capital transactions	(34,821,128)	(13,146,633)
Investing transactions:		
Decrease (increase) in investments	29,211	(63,863)
Financing transactions:		
Increase (decrease) in temporary borrowing	9,243,000	(2,325,000)
Debt repayment	(6,697,500)	(3,019,765)
Decrease (increase) in accounts receivable - Government of Ontario	(5,629,545)	4,105,672
Increase in deferred capital contributions	35,099,025	12,987,573
Increase in deferred capital revenue	4,271,244	2,784,110
Cash provided by financing transactions	36,286,224	14,532,590
Increase (decrease) in cash	13,354,460	(2,139,438)
Cash, beginning of year	20,274,581	22,414,019
Cash, end of year	\$ 33,629,041	\$ 20,274,581

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2018

1. Significant accounting policies:

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

(a) 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 Limestone District School Board ("the Board") and which are controlled by the Board.

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

(b) Basis of accounting:

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

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

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations and accumulated surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset.

The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(b) Basis of accounting (continued):

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires 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 accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(c) 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 recorded on the consolidated statement of financial position at the lower of cost or market value.

Investments are recorded at lower of cost plus or minus amortization of bond discounts or premiums or market. Interest on the investments is accrued as earned. Gains or losses on the sale of investments are recognized in the year of sale. Amortization of bond discounts or premiums are accrued over the term of the investment.

(d) Non-financial assets:

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(e) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

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

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

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

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

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

(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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(g) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act when the asset has been acquired. 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 transfer 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 and health care benefits, retirement gratuity, service awards, worker's compensation and long-term disability benefits. The Board accrues its obligation for these employee benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trust (ELHT) was established in 2016-17: OECTA. The following ELHTs were established in 2017-18: CUPE-EWBT and ONE-T for non-unionized employees including principals and vice-principals. 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 into 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. The Board is no longer responsible to provide certain benefits to OECTA effective June 1, 2017, CUPE effective March 1, 2018, principals and vice-principals effective April 1, 2018, other non-unionized employees effective June 1, 2018 and retirees effective June 1, 2018. Upon transition of the employee groups' health, dental and life benefit plans to the EHLT, 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 a Stabilization Adjustment.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

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

Depending on prior arrangements and employee group, the Board continues to provide health, dental and life insurance benefits for retired individuals for all groups, and continues to have a liability for payment of benefits for those who are on long-term disability and for some retirees who are retired under these plans.

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 accumulated 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 (OMERS), 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting policies (continued):

(i) 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 and accumulated surplus at the same rate and over the same periods as the asset is amortized.

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

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

(k) Investment income:

Investment income is reported as revenue in the period earned.

Investment income earned on restricted funds forms part of the respective deferred revenue balances.

(l) 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 Municipal Grants.

(m) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees. The budget approved by the Board of 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. Given differences between the funding model and the basis of accounting used by the Board in the preparation of the consolidated financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

1. Significant accounting principles (continued):

(n) Use of estimates:

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

2. Accounts receivable - Government of Ontario:

The Province of Ontario (the "Province") replaced variable capital funding with a one-time debt support grant in 2010. 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 accounts receivable.

The Board has an account receivable from the Province of \$98,798,892 as at August 31, 2018 (2017 - \$93,169,347) with respect to capital grants.

3. Temporary borrowing:

The Board's financing agreement with its bank provides for an operating credit facilities as follows:

The Board has a revolving term loan of up to \$32,005,723 to finance capital expenses under the Ministry's "School Condition Improvement" Program, with \$2,423,000 utilized as at August 31, 2018 (2017 - \$571,000) under the facility by way of a demand revolving loan or by a bankers' acceptance having terms not less than 30 days and not more than 365 days and a stamping fee of 0.75% per annum.

The Board has a revolving term loan of up to \$29,976,166 for the construction of the new Kingston Intermediate and Secondary School to finance capital expenses under the Ministry's "Capital Priorities" Grant with \$7,640,000 utilized as at August 31, 2018 (2017 - \$249,000) under the facility by way of a demand revolving loan or by a bankers' acceptance having terms not less than 30 days and not more than 365 days and a stamping fee of 0.75% per annum.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. Employee benefits liability:

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation:

The Board provides retirement gratuities and benefits and post-retirement benefits to various employees. An independent actuarial study of the retirement gratuities and benefits and post-retirement benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at August 31, 2016.

(i) Retirement gratuities and benefits:

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

The Board has a liability related to these retirement gratuities and benefits. At August 31, 2018, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$7,578,434 (2017 - \$8,246,737). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$1,230,068 for retirement gratuities and benefits respectively as at August 31, 2018 (2017 - \$1,435,079).

(ii) Post-retirement benefits:

The Board offers its permanent employees extended health and dental benefits and pays the costs of the benefits provided. The Board also offers life insurance and accidental death and dismemberment to its permanent employees and pays a share of the costs of the benefit provided which will vary depending on the collective agreement of the employee.

Early retirees are allowed to continue their coverage under the Board sponsored extended health, dental care and insurance plans until age 65. Most employees are required to reimburse the Board for the full cost of the benefits. The post-retirement benefit costs and liabilities are included in the Board's consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. Employee benefits liability (continued):

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(ii) Post-retirement benefits (continued):

At August 31, 2018, the Board's accrued benefit liability relating to post-retirement benefits is \$14,426 (2017 - \$37,705). Accumulated surplus has been internally appropriated for this liability, which amounted to \$14,426 as at August 31, 2018.

Retirement gratuities and benefits and other post-retirement benefit expenses:

			2018	2017
	Retirement gratuities and benefits	Other post-retirement benefit expenses	Total retirement and post-retirement benefits	Total retirement and post-retirement benefits
Accrued benefit liability, September 1	\$ 8,246,737	\$ 37,705	\$ 8,284,442	\$ 9,104,785
Change due to settlement	–	–	–	23,890
Amortization of actuarial (gain)/loss	102,236	(44)	102,192	138,739
Interest on accrued benefit obligation	215,619	657	216,276	197,089
Benefit payments	(986,158)	(23,892)	(1,010,050)	(1,180,061)
Accrued benefit liability, August 31	7,578,434	14,426	7,592,860	8,284,442
Net employee future benefit expenses	\$ 317,855	\$ 613	\$ 318,468	\$ 359,718
Accrued employee future benefit obligations, August 31	\$ 8,019,347	\$ 14,426	\$ 8,033,773	\$ 8,986,405
Unamortized actuarial loss	(440,913)	–	(440,913)	(701,963)
Accrued benefit liability, August 31	\$ 7,578,434	\$ 14,426	\$ 7,592,860	\$ 8,284,442

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. Employee benefit liability (continued):

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(iii) Workplace Safety and Insurance Board ("WSIB"):

This Board is a Schedule 2 employer with the Workplace Safety and Insurance Act (the "Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act up to the amount of its insurance deductibility. 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 the Board to provide a salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreements included such provision. The Board recognizes WSIB payments on a claim basis rather than on a premium basis and reports such claims as expenses in the year in which the payments are made.

The Board carries catastrophic risk insurance and accumulated surplus has been internally appropriated for these liabilities which amounted to \$2,597,544 as at August 31, 2018 (2017 - \$2,248,087).

The amount of the obligation for WSIB that was actuarially determined as at August 31, 2018 is \$2,597,544 (2017 - \$2,274,876).

Information with respect to the Board's Workplace Safety and Insurance Board future payments is as follows:

	2018	2017
Accrued benefit obligation, beginning of year	\$ 2,274,876	\$ 2,477,066
Expense recognized for the period	810,238	134,720
Benefits paid for the period	(487,570)	(336,910)
Accrued benefit obligation, end of year	\$ 2,597,544	\$ 2,274,876

(iv) Sick leave benefits:

Sick leave top-up benefits:

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in the year. The benefit costs expensed in the consolidated financial statements are \$142,006 (2017 - \$137,242).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. Employee benefit liability (continued):

(a) Retirement gratuities and benefits, post-retirement benefits and workers' compensation (continued):

(iv) Sick leave benefits (continued):

Sick leave top-up benefits (continued):

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2018. This actuarial valuation is based on assumptions about future events.

At August 31, 2018, the Board's accrued benefit liability relating to sick leave top-up benefits is \$130,426 (2017 - \$119,948). Accumulated surplus has been internally appropriated for this liability, which amounted to \$130,426 as at August 31, 2018.

(b) The Board has the following liabilities relating to employee benefits described in (a):

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, 2018. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018
Discount rate	2.90% per annum
Salary escalation	0% per annum
Dental benefits escalation	3.75% per annum in 2018, decreasing by 0.25% per annum to an ultimate rate of 3.0%
Health benefits escalation	7.75% per annum in 2018, decreasing by 0.25% per annum to an ultimate rate of 4.0%
Inflation rate	1.5% per annum
	2017
Discount rate	2.55% per annum
Salary escalation	0% per annum
Dental benefits escalation	4.00% per annum in 2017, decreasing by 0.25% per annum to an ultimate rate of 3.0%
Health benefits escalation	8.00% per annum in 2017, decreasing by 0.25% per annum to an ultimate rate of 4.0%
Inflation rate	1.5% per annum

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

4. Employee benefit liability (continued):

(c) Liability for vacation credits:

Compensated vacation expense is accrued for employees as entitlement to these payments is earned in accordance with the Board's benefit plans for vacation time. Vacation credits earned as at August 31, 2018 amount to \$1,593,501 (2017 - \$1,606,771) and are reported as part of the accounts payable and accrued liabilities on the consolidated statement of financial position.

(d) Employee benefit liability:

	2018	2017
Employee benefit liabilities are comprised of:		
Retirement gratuities	\$ 7,578,434	\$ 8,246,737
Post-retirement benefits	14,426	37,705
Sick leave top-up benefit	130,426	119,948
Workplace safety and insurance	2,597,544	2,274,876
	<u>10,320,830</u>	<u>10,679,266</u>
Vacation credits	1,593,501	1,606,771
	<u>\$ 11,914,331</u>	<u>\$ 12,286,037</u>

5. Deferred revenue:

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

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

	Balance as at August 31, 2017	Externally restricted revenue and investment income	Revenue recognized in the period	Transferred to deferred capital contributions	Balance as at August 31, 2018
Special education	\$ 1,968,399	\$ 28,453,904	\$ 28,615,902	\$ -	\$ 1,806,401
Capital funds	2,592,116	1,906,843	-	145,990	4,352,969
Other	7,288,449	26,971,015	20,621,392	3,640,965	9,997,107
Total deferred revenue	<u>\$ 11,848,964</u>	<u>\$ 57,331,762</u>	<u>\$ 49,237,294</u>	<u>\$ 3,786,955</u>	<u>\$ 16,156,477</u>

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

5. Deferred revenue (continued):

(a) Special education:

The Province has provided a specific operating grant to be used for the provision of instruction and support to special education students. Any amount not spent by year end must be deferred for use for this specific purpose in future years.

(b) Capital funds:

Capital funds include proceeds of disposition deferred revenue which pertains to the gains on disposal of instructional and administrative buildings and property.

(c) Other:

Other deferred revenue includes many specific program amounts, both capital and operating, from Provincial ministries, primarily the Ministry of Education.

6. Deferred capital contributions:

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

	2018	2017
Balance, beginning of year	\$ 177,908,165	\$ 178,212,857
Additions to deferred capital contributions	35,099,025	12,987,573
Revenue recognized in the period	(15,343,151)	(13,292,265)
Balance, end of year	\$ 197,664,039	\$ 177,908,165

7. Debt charges on capital borrowing:

The expenditure for capital loan interest and interest on unfinanced capital expenses and capital leases reported on the Consolidated Statement of Operations and Accumulated Surplus includes:

	2018	2017
Interest payments on long-term debt	\$ 3,632,281	\$ 3,606,838
Accrued interest charges on long-term debt	(33,859)	(28,257)
Total interest expenses	\$ 3,598,422	\$ 3,578,581

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Net long-term liabilities:

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

	2018	2017
Bank Credit Facility, maturing November 2017	\$ -	\$ 3,837,296
Ontario Financing Authority, maturing November 2031	4,024,146	4,235,849
Ontario Financing Authority, maturing March 2033	8,828,650	9,227,221
Ontario Financing Authority, maturing March 2034	9,273,997	9,649,084
Ontario Financing Authority, maturing April 2035	2,890,577	2,994,900
Ontario Financing Authority, maturing March 2036	3,024,476	3,129,570
Ontario Financing Authority, maturing March 2037	5,386,253	5,584,371
Ontario Financing Authority, maturing June 2038	25,001,398	25,830,320
Ontario Financing Authority, maturing March 2039	170,390	175,555
Ontario Financing Authority, maturing March 2040	19,726,570	20,359,791
	<u>\$ 78,326,457</u>	<u>\$ 85,023,957</u>

The Board entered into a long-term financing agreement with its bank in 2008 in the amount of \$5,942,000 (\$Nil is outstanding as at August 31, 2018) to fund part of the cost of additions at two secondary schools. The loan had a fixed interest rate of 5.51% for ten years, was amortized over twenty years, and was being repaid in equal monthly payments, combining principal and interest, of \$40,911. In November 2017, the loan was fully repaid.

The Board entered into a loan agreement effective November 3, 2006 with the Ontario Financing Authority in the amount of \$5,967,000 (\$4,024,146 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 4.56% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$201,236. The loan will be fully repaid by November 2031.

The Board entered into a second loan agreement effective March 3, 2008 with the Ontario Financing Authority in the amount of \$12,065,240 (\$8,828,650 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "Good Places to Learn" and "Primary Class Size" initiatives. The loan has a fixed interest rate of 4.90% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$422,941. The loan will be fully repaid by March 2033.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Net long-term liabilities (continued):

The Board entered into a third loan agreement effective March 3, 2009 with the Ontario Financing Authority in the amount of \$12,061,042 (\$9,273,997 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 5.062% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$429,418. The loan will be fully repaid by March 2034.

The Board entered into a fourth loan agreement effective April 2010 with the Ontario Financing Authority in the amount of \$3,592,034 (\$2,890,577 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 5.232% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$129,835. The loan will be fully repaid by April 2035.

The Board entered into a fifth loan agreement effective March 2011 with the Ontario Financing Authority in the amount of \$3,664,849 (\$3,024,476 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of 4.833% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$127,545. The loan will be fully repaid by March 2036.

The Board entered into a sixth loan agreement effective March 2012 with the Ontario Financing Authority in the amount of \$6,476,464 (\$5,386,253 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "Good Places to Learn" initiative. The loan has a fixed interest rate of and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$197,698. The loan will be fully repaid by March 2037.

The Board entered into a seventh loan agreement effective June 2013 with the Ontario Financing Authority in the amount of \$28,505,666 (\$25,001,398 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "New Pupil Places and Good Places to Learn" initiatives. The loan has a fixed interest rate of 3.663% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$883,782. The loan will be fully repaid by June 2038.

The Board entered into an eighth loan agreement effective March 2014 with the Ontario Financing Authority in the amount of \$189,874 (\$170,390 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "New Pupil Places" initiatives. The loan has a fixed interest rate of 4.003% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$6,070. The loan will be fully repaid by March 2039.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

8. Net long-term liabilities (continued):

The Board entered into a ninth loan agreement effective March 2015 with the Ontario Financing Authority in the amount of \$21,571,170 (\$19,726,570 is outstanding as at August 31, 2018) to finance capital improvement projects under the Ministry's "New Pupil Places" initiatives. The loan has a fixed interest rate of 2.993% and will be repaid over twenty-five years in equal semi-annual instalments combining principal and interest of \$618,943. The loan will be fully repaid by March 2040.

Payments due on long-term debt over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
For the year ended August 31			
2019	\$ 2,976,701	\$ 3,058,235	\$ 6,034,936
2020	3,098,133	2,936,803	6,034,936
2021	3,224,716	2,810,220	6,034,936
2022	3,356,676	2,678,260	6,034,936
2023	3,494,249	2,540,687	6,034,936
Future years	62,175,982	18,363,949	80,539,931
	<u>\$ 78,326,457</u>	<u>\$ 32,388,154</u>	<u>\$ 110,714,611</u>

9. Pension plan costs:

(a) 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 ("Province"). 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.

(b) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal 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 \$3,121,507 (2017 - \$3,103,888) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expense. No pension liability for this type of plan is included in the Board's consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

10. Contingent liabilities:

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

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

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

11. Commitments:

- (a) The Board has entered into contract commitments for \$41,640,152 related to the new Kingston Intermediate and Secondary School. As of August 31, 2018, \$14,991,802 in expenses have been incurred and are included in construction in progress as part of tangible capital assets.

- (b) On June 1, 2003, the Board received \$6,139,800 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 the future provincial grants payable of the Board in respect of the NPF debt. Provincial funds in the amount of \$457,419 (2017 - \$457,419) flowed through the provincial grants for student needs revenues and other expenses on the Consolidated Statement of Operations and Accumulated Surplus to reflect the principal and interest repayments for the year ended August 31, 2018.

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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

12. Trust funds:

- (a) The Board was the trustee for \$3,152,010 (2017 - \$2,750,769) held for employees' self-funded leave plans. These amounts are not included in the Board's consolidated financial statements.
- (b) The Limestone Learning Foundation, a registered charity, holds donated funds, the benefits of which are to be used for purchases of specific educational opportunities for students solely in the Limestone District School Board. As at December 31, 2017, the Foundation held assets of \$2,115,689 (2016 - \$1,960,033). These amounts are not included in the consolidated financial statements.

13. Tangible capital assets:

Cost	Balance at August 31, 2017	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2018
Land	\$ 3,298,577	\$ 1,252,697	\$ -	\$ 4,551,274
Land improvements	7,083,170	1,931,189	(15,347)	8,999,012
Buildings	267,472,638	17,908,692	-	285,381,330
Buildings permanently removed from service	707,054	-	(707,054)	-
Portable structures	4,040,729	-	(30,494)	4,010,235
Furniture and equipment	5,284,147	637,527	(191,331)	5,730,343
Computer hardware	3,440,460	114,501	(627,230)	2,927,731
Computer software	368,340	189,786	(66,140)	491,986
Vehicles	1,835,759	239,559	(154,552)	1,920,766
Construction-in-progress	1,037,728	14,176,930	-	15,214,658
Total	\$ 294,568,602	\$ 36,450,881	\$ (1,792,148)	\$ 329,227,335

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

13. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2017	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2018
Land improvements	\$ 2,287,112	\$ 1,182,385	\$ (15,347)	\$ 3,454,150
Buildings	98,970,369	12,472,759	–	111,443,128
Buildings permanently removed from service	485,707	221,347	(707,054)	–
Portable structures	2,170,681	192,396	(30,494)	2,332,583
Furniture and equipment	2,519,094	491,768	(191,331)	2,819,531
Computer hardware	2,123,074	636,819	(627,230)	2,132,663
Computer software	212,898	86,033	(66,140)	232,791
Vehicles	1,383,381	152,507	(154,552)	1,381,336
Total	\$ 110,152,316	\$ 15,436,014	\$ (1,792,148)	\$ 123,796,182

	Net book value August 31, 2017	Net book value August 31, 2018
Land	\$ 3,298,577	\$ 4,551,274
Land improvements	4,796,058	5,544,862
Buildings	168,502,269	173,938,202
Buildings permanently removed from service	221,347	–
Portable structures	1,870,048	1,677,652
Furniture and equipment	2,765,053	2,910,812
Computer hardware	1,317,386	795,068
Computer software	155,442	259,195
Vehicles	452,378	539,430
Construction in progress	1,037,728	15,214,658
Total	\$ 184,416,286	\$ 205,431,153

14. Budget data:

The budget data presented in these consolidated financial statements is based upon the revised 2017-2018 original budget that was approved by the Board on June 21, 2017.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

15. Expenses by object:

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

	2018 Budget	2018 Actual	2017 Actual
Expenses:			
Salary and wages	\$ 177,325,042	\$ 175,451,531	\$ 170,582,328
Employee benefits	27,687,765	26,973,887	24,559,323
Staff development	725,393	767,809	796,190
Supplies and services	17,561,361	17,868,329	17,662,756
Interest on long-term debt	3,618,997	3,598,422	3,578,581
Rental expenses	132,550	158,833	528,014
Fees and contract services	20,730,070	20,367,451	20,907,566
Other	777,719	2,599,796	1,113,961
	\$ 248,558,897	\$ 247,786,058	\$ 239,728,719
Amortization	\$ 16,631,314	\$ 15,436,014	\$ 13,448,194
School activities	\$ 6,000,000	\$ 6,035,817	\$ 6,134,447
Total expenses	\$ 271,190,211	\$ 269,257,889	\$ 259,311,360

16. Related entities:

Tri-Board Student Transportation Services:

The Board has a one-third economic interest in Tri-Board Student Transportation Services ("Tri-Board"). Tri-Board's principal activity is to provide student transportation for three school boards including the Limestone District School Board. Related party transactions with Tri-Board Student Transportation Services during the year, not separately disclosed in the consolidated financial statements, include the following:

- (i) The Board purchased student transportation services totalling \$14,623,717 (2017 - \$13,726,055) and administration costs of \$597,422 (2017 - \$545,154).
- (ii) The Board received management fees of \$30,000 (2017 - \$30,000).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

16. Related entities (continued):

Tri-Board's assets, liabilities, revenue, expenses and surplus (deficit) for the year ended August 31, 2018 are as follows:

	2018	2017
Financial assets	\$ 1,359,892	\$ 3,504,887
Financial liabilities	(1,663,425)	(3,838,849)
Net debt	(303,533)	(333,962)
Non-financial assets	283,322	286,490
Accumulated deficit	\$ (20,211)	\$ (47,472)
	2018	2017
Revenue	\$ 39,717,335	\$ 37,493,340
Expenses	39,690,074	37,475,204
Accumulated surplus	\$ 27,261	\$ 18,136

17. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Available for compliance:		
Unappropriated	\$ 2,642,086	\$ 2,513,320
Internally appropriated:		
Pupil Accommodation, School Renewal	3,107,245	2,232,837
Committed Capital Projects	3,215,840	3,209,543
School Budget Balances	2,717,954	2,392,475
Technology Infrastructure	255,383	375,000
Retirement Benefits	1,374,920	1,435,079
Workers Safety Insurance Board	2,597,544	2,248,087
	15,910,972	14,406,341
Unavailable for compliance:		
Employee Future Benefits	(8,858,874)	(10,303,525)
Accrued Interest	(906,694)	(940,552)
School Generated Funds	3,384,764	3,410,683
Net Tangible Capital Assets	4,551,276	3,298,577
	(1,829,528)	(4,534,817)
Accumulated surplus	\$ 14,081,444	\$ 9,871,524

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2018

18. Adoption of new accounting standards:

On September 1, 2017, the Board adopted Canadian public sector accounting standards PS 2200 Related party disclosures, PS 3420 Inter-entity transactions, PS 3210 Assets, PS 3320 Contingent Assets, and PS 3380 Contractual rights.

The adoption of these standards did not result in an accounting policy change for the Board, and did not result in any adjustments to the consolidated financial statements as at September 1, 2017.

DRAFT

Annual Report to the Board of Trustees for the Fiscal Year Ended August 31, 2018

This report summarizes the actions of the Limestone District School Board (DSB) Audit Committee for the year ended August 31, 2018.

Audit Committee Members

In accordance with Board Policy #10 - Committees of the Board and the recruitment and selection process outlined in *Ontario Regulation 361/10*, the following Audit Committee members were appointed to serve during the current term as follows:

Laurie French - Trustee representative and Chair of the Committee

Tom Mahoney - Trustee representative

Suzanne Ruttan - Trustee representative

Adam Young - External member

Frances Tan - External member

Assessment

Board Policy #10 and *Ontario Regulation 361/10* stipulate that Audit Committee meetings will be held at least three times a year. All meetings have been held as planned in 2017-2018. The Limestone DSB has had an Audit Committee in place since May 2004.

The members in attendance at each meeting in 2017-2018 were as follows:

Member's Name	May 7, 2018	September 10, 2018	November 12, 2018
Laurie French, Committee Chair	x	x	x
Tom Mahoney	x		
Suzanne Ruttan	x	x	x
Adam Young	x	x	x
Frances Tan			x
Paula Murray, Board Chair		x	

Governance

The Audit Committee of the Limestone DSB was originally established in May 2004. The appointment of the members to the Audit Committee was completed in accordance with provisions 3. (1) and 3. (2) of *Ontario Regulation 361/10*.

External Audit Committee Members:

After an advertised search, on March 7, 2017 Ms. Frances Tan accepted a three-year appointment to serve on the Audit Committee. Term to end on November 30, 2019.

At the November 7, 2017 Audit Committee meeting, the committee passed a motion to extend Mr. Adam Young's appointment for two more years. Term to end on November 30, 2019.

Internal/External Audit

Relationships with both internal and external auditors have been satisfactory. Both internal and external auditors were present at Audit Committee meetings that were held in private session.

External Auditors

The external auditors, KPMG LLP, were present at all Audit Committee meetings. The following material was presented:

- May 7, 2018 meeting – Provided the Committee with the draft audit plan for the Limestone District School Board for the 2017-2018 fiscal year.
- September 10, 2018 meeting - Provided the Committee with an update on the Limestone District School Board Interim/Year End audit activities for the 2017-2018 fiscal year.
- November 12, 2018 meeting - Provided the Committee with an audit opinion on the Limestone District School Board consolidated financial statements for the year ended August 31, 2018 and the audit findings report.

Internal Auditors

The Regional internal auditors were present at all Audit Committee meetings. The following material was presented:

- May 7, 2018 meeting - Provided the Committee an update on the multi-year audit plan.
- September 10, 2018 meeting - Provided the Committee with a report on the Regional Internal Audit Mandate as well as a report on upcoming changes to the Regional Internal Audit team.

Also provided to the Committee were the following audit reports: Budget Planning and Development Audit, and Management Reporting and Analysis Audit.

- November 12, 2018 meeting - Regional internal audit advised that there is no update for the meeting and the staffing process for the Manager position is still underway. As such, staff were not present at the meeting.

Summary of the Work Performed

The following is a summary of work undertaken by the Audit Committee in the last 12 months:

- reviewed and approved Audit Plan for 2017-2018 financial statements;
- reviewed and approved 2017-2018 consolidated financial statements;
- reviewed Audit Findings Report for 2017-2018 consolidated financial statements;
- reviewed and approved Audit Committee's Annual Report to the Board;
- reviewed regional internal audit reports;
- reviewed regional internal audit plans.

By the signature noted below, we attest that we have discharged our duties and responsibilities in accordance with *Ontario Regulation #361/10*. Under this regulation there is a requirement to submit a copy of this report to the Ministry.

On behalf of the Audit Committee,

Laurie French
Chair of Limestone DSB Audit Committee

November 12, 2018

Date

Annual Report to the Board of Trustees and Forwarded To the Ministry of Education For the year ended August 31, 2018

District School Board Name: Limestone District School Board

Fiscal Year: 2017-2018

Re: Annual Audit Committee report to the Ministry of Education as per *Ontario Regulation 361/10*

The Regional internal auditors were present at two of the three Audit Committee meetings. The following material was presented:

May 7, 2018 meeting - Provided the Committee an update on the multi-year audit plan.

September 10, 2018 meeting - Provided the Committee with a report on the Regional Internal Audit Mandate as well as a report on upcoming changes to the Regional Internal Audit team.

Also provided to the Committee were the following reports:

- Budget Planning and Development Audit
- Management Reporting and Analysis Audit

November 12, 2018 meeting - Regional internal audit advised that there is no update for the meeting and the staffing process for the Manager position is still underway. As such, staff were not present at the meeting.

On behalf of the Audit Committee,

Laurie French
Chair of Limestone DSB Audit Committee

November 12, 2018

Date