

AGENDA – AUDIT COMMITTEE

Monday, November 9, 2020 – 5:30 PM

Limestone Education Centre

220 Portsmouth Avenue, Kingston, ON

[Virtual Link](#)

PUBLIC MEETING – 5:30 PM

Chair's opening remarks.

Acknowledgement of Territory: “The Limestone District School Board is situated on the traditional territories of the Anishinaabe and Haudenosaunee. We acknowledge their enduring presence on this land, as well as the presence of Métis, Inuit and other First Nations from across Turtle Island. We honour their cultures and celebrate their commitment to this land.”

1. ADOPTION OF AGENDA

2. DECLARATION OF CONFLICT OF INTEREST

3. REPORTS FOR INFORMATION

- 3.1. 2020-2021 Regional Internal Audit Plan Update, Genevieve Segu, Regional Internal Audit Manager
(Report appended Pages 4-5)
- 3.2. Audit Committee Annual Report to the Board, Chair French and Superintendent Young
(Report appended Pages 6-8)

Limestone District School Board

Limestone District School Board is situated on traditional territories of the Anishinaabe & Haudenosaunee.

4. REPORTS REQUIRING DECISION

- 4.1. Presentation of Draft 2019-2020 Consolidated Financial Statements, Lori Huber, KPMG and Manager Baumann
(Report appended Pages 9-39)

MOTIONS:

- 1) That the Audit Committee recommend to the Board the approval of the audited consolidated financial statements for the year ended August 31, 2020.

- 2) That the 2019-2020 consolidated financial statements be filed with the Ministry of Education and posted on the Board website subject to the approval at the November 11, 2020 Board meeting.

5. OTHER BUSINESS

6. NEXT MEETING DATE

Monday May 3, 2021

PRIVATE SESSION – 6 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 employee of the board; or*
- e) Litigation affecting the board.*

1. MOTION TO MOVE INTO PRIVATE SESSION

2. FOR INFORMATION

- 2.1. Admin Report on Draft 2019-2020 Consolidated Financial Statements, Manager Baumann
(Report appended Pages 40- 43)
- 2.2. Audit Findings Report – Lori Huber, KPMG
(Report appended Pages 44-88)

3. COMMITTEE TO RISE AND REPORT

The Audit Committee will rise and report to the full Board of Trustees in Private Session and to the public at the next Board meeting.

4. ADJOURNMENT

<p>Subject:</p> <p>Presented by:</p> <p>Meeting Date:</p>	<p>Regional Internal Audit Update – Public Session</p> <p>Geneviève Segu, Regional Internal Audit Manager</p> <p>Pasquale L’orfano, Internal Auditor</p> <p>November 9, 2020</p>												
<p>Purpose</p>	<p>To provide the Audit Committee with an update from the Regional Internal Audit Manager (RIAM) on the progress of the 2020-21 RIAT work.</p> <p>This report links with Regulation 361/10 in relation to the Audit Committee’s duties to the Internal Auditor 9(3) and the Board’s Internal Controls 9(2).</p>												
<p>Content</p>	<p>2020-2021 Regional Internal Audit Plan Update</p> <p>The Audit Committee approved the 2020-21 Audit Plan at the September 14, 2020 meeting. The following presents an update on the engagements:</p> <table border="1" data-bbox="430 913 1485 1820"> <thead> <tr> <th data-bbox="430 913 630 997">Status</th> <th data-bbox="630 913 1252 997">Audit & Scope</th> <th data-bbox="1252 913 1485 997">Schedule</th> </tr> </thead> <tbody> <tr> <td data-bbox="430 997 630 1444">In Progress</td> <td data-bbox="630 997 1252 1444"> <p>Strategic Risk Assessment</p> <p>This is a region-wide initiative.</p> <p>The goal is to facilitate the risk assessment at a high level in order to (i) provide Management with a risk register and (ii) align RIAT’s work with the main risks identified.</p> <p>Currently in the process of finalizing all local workshops and validating results across the Ontario East Region.</p> </td> <td data-bbox="1252 997 1485 1444"> <p>15 Jan 2020: Region-Wide In-Person Workshop</p> <p>28 Oct 2020: Local Virtual Workshop</p> <p>Next Steps: Reporting</p> </td> </tr> <tr> <td data-bbox="430 1444 630 1675">In Progress</td> <td data-bbox="630 1444 1252 1675"> <p>Procurement Data Analytics</p> <p>RIAT is currently in the process of validating results with Management.</p> </td> <td data-bbox="1252 1444 1485 1675"> <p>Near Complete</p> <p>Next Steps: Finalize and Report to Audit Committee</p> </td> </tr> <tr> <td data-bbox="430 1675 630 1820">In Progress</td> <td data-bbox="630 1675 1252 1820"> <p>Cyber Security Review</p> <p>This engagement aligns with the region-wide Strategic Risk Assessment which identified</p> </td> <td data-bbox="1252 1675 1485 1820"> <p>28 Feb 2020: Presented the</p> </td> </tr> </tbody> </table>	Status	Audit & Scope	Schedule	In Progress	<p>Strategic Risk Assessment</p> <p>This is a region-wide initiative.</p> <p>The goal is to facilitate the risk assessment at a high level in order to (i) provide Management with a risk register and (ii) align RIAT’s work with the main risks identified.</p> <p>Currently in the process of finalizing all local workshops and validating results across the Ontario East Region.</p>	<p>15 Jan 2020: Region-Wide In-Person Workshop</p> <p>28 Oct 2020: Local Virtual Workshop</p> <p>Next Steps: Reporting</p>	In Progress	<p>Procurement Data Analytics</p> <p>RIAT is currently in the process of validating results with Management.</p>	<p>Near Complete</p> <p>Next Steps: Finalize and Report to Audit Committee</p>	In Progress	<p>Cyber Security Review</p> <p>This engagement aligns with the region-wide Strategic Risk Assessment which identified</p>	<p>28 Feb 2020: Presented the</p>
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		<p>Cybersecurity as both a risk and an opportunity to promote the School Boards ability to safeguard IT systems to protect information and avoid service disruption.</p> <p>The goal of the virtual workshop was to identify business drivers, critical assets, and perform an IT risk assessment.</p> <p>The output will provide the school board with a list of controls to prioritize in the cybersecurity framework.</p>	<p>project to EOIT Managers.</p> <p>8-9 Oct: virtual workshop</p> <p>Next Steps: Reporting</p>
	<p>In Progress</p>	<p>Follow-up Procedures</p> <p>RIAT continues to follow-up on the remaining recommendations, as they come due.</p>	<p>Ongoing</p>
	<p>Not Initiated</p>	<p>Management Request Engagement</p> <p>To cover any important items that may be required to during the school year.</p>	<p>If Requested</p>
	<p>Not Initiated</p>	<p>Critical Positions Engagement</p> <p>This engagement aligns with the preliminary region-wide Strategic Risk Assessment which identified Succession Planning as one of the top risks in the portfolio.</p> <p>The scope is to provide Management with a current state assessment/inventory of all positions, outside of the schools. Each position is critical, key, support or specialist.</p>	<p>TBD</p>
<p>Recommendation</p>	<p>That the Limestone District School Board Audit Committee receives for information the November 9th 2020 RIAT update.</p>		

**Annual Report to the Board of Trustees for the
Fiscal Year Ended August 31, 2020**

This report summarizes the actions of the Limestone District School Board (DSB) Audit Committee for the year ended August 31, 2020.

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
- Garrett Elliott - 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 2019-2020. The Limestone DSB has had an Audit Committee in place since May 2004.

The members in attendance at each meeting in 2019-2020 were as follows:

Member's Name	Sept 9, 2019	Nov 11, 2019	May 4, 2020
Laurie French, Committee Chair	X	X	X
Garrett Elliott	X	X	X
Suzanne Ruttan	X	X	X
Adam Young	X	x	
Frances Tan	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:

Ms. Frances Tan and Mr. Adam Young’s three-year appointment to serve on the Audit Committee came to an end on November 30, 2019.

Limestone DSB will engage in a search for External Audit Committee members.

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:

- September 9, 2019 meeting - Provided the Committee with an update on the Limestone District School Board Interim/Year End audit activities for the 2018-2019 fiscal year.
- November 11, 2019 meeting - Provided the Committee with an audit opinion on the Limestone District School Board consolidated financial statements for the year ended August 31, 2019 and the audit findings report.
- May 4, 2020 meeting – Provided the Committee with the draft audit plan for the Limestone District School Board for the 2019-2020 fiscal year.

Internal Auditors

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

- September 9, 2019 meeting - Provided the Committee with an overview of the RIAT Internal Audit Mandate, including the roles and responsibilities of its Auditors, its reporting and monitoring procedures and its quality assurance. Also provided to the Committee were the following audit reports: Hiring and Occasional Teacher Audit Final Report, Follow up Procedures Final Report and Activities Update 2019/20-2020/21.
- November 11, 2019 - Provided the Committee with an Internal Audit Activities Update and the Executive Summary for the Records and Information Management engagement performed in 2018-19.
- May 4, 2020 meeting - Provided the Committee with an Internal Audit Activities Update, Data Visualization Report, Regional Internal Audit Team Model Review and Final Report and Follow-up Procedures Report.

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 2018-2019 consolidated financial statements;
- reviewed Audit Findings Report for 2018-2019 consolidated financial statements;
- reviewed and approved Audit Plan for 2019-2020 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
Date: November 9, 2020

**Annual Report to the Board of Trustees and Forwarded
To the Ministry of Education
For the year ended August 31, 2020**

District School Board Name: Limestone District School Board

Fiscal Year: 2019-2020

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

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

September 9, 2019 meeting - Provided the Committee with an overview of the RIAT Internal Audit Mandate, including the roles and responsibilities of its Auditors, its reporting and monitoring procedures and its quality assurance. Also provided to the Committee were the following audit reports: Hiring and Occasional Teacher Audit Final Report, Follow up Procedures Final Report and Activities Update 2019/20-2020/21.

November 11, 2019 - Provided the Committee with an Internal Audit Activities Update and the Executive Summary for the Records and Information Management engagement performed in 2018-19.

May 4, 2020 meeting - Provided the Committee with an Internal Audit Activities Update, Data Visualization Report, Regional Internal Audit Team Model Review and Final Report and Follow-up Procedures Report.

On behalf of the Audit Committee,

Laurie French
Chair of Limestone DSB Audit Committee

Date: November 9, 2020

Consolidated Financial Statements of

**THE LIMESTONE DISTRICT
SCHOOL BOARD**

Year ended August 31, 2020

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THE LIMESTONE DISTRICT SCHOOL BOARD

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Year ended August 31, 2020

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Independent Auditors' Report

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MANAGEMENT REPORT

Year ended August 31, 2020

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 11, 2020

INDEPENDENT AUDITORS' REPORT

To the Trustees of The Limestone District School Board

Opinion

We have audited the consolidated financial statements of The Limestone District School Board (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2020
- consolidated statements of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of August 31, 2020, and its consolidated results of operations, and its consolidated cash flows for the year then ended in accordance with the basis of accounting as described in note 1 to the financial statements.

Basis for Opinion

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

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

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

Emphasis of Matter – Basis of Presentation

We draw attention to note 1 to the financial statements which describes the applicable financial reporting framework and the purpose of the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

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

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 11, 2020

THE LIMESTONE DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2020, with comparative information for 2019

	2020	2019
Financial assets:		
Cash	\$ 37,277,225	\$ 34,775,485
Accounts receivable:		
Municipalities (note 2)	19,261,195	4,998,001
Government of Ontario-approved capital (note 3)	78,764,626	91,889,126
Government of Ontario-non-capital	17,074,927	12,171,939
Other	3,898,992	4,509,733
Investments	1,441,213	1,420,917
Total financial assets	157,718,178	149,765,201
Financial liabilities:		
Temporary borrowing (note 4)	1,151,000	6,866,000
Accounts payable and accrued liabilities (note 5)	45,998,082	29,447,348
Net long-term liabilities (note 10)	72,251,624	75,349,755
Deferred revenue (note 7)	14,733,488	17,206,975
Funds held in trust	1,712,709	1,580,399
Employee benefit liability (note 6(d))	8,633,062	9,270,523
Deferred capital contributions (note 8)	235,586,796	230,491,945
Total financial liabilities	380,066,761	370,212,945
Net debt	(222,348,583)	(220,447,744)
Non-financial assets:		
Prepaid expenses	1,500,479	1,534,078
Tangible capital assets (note 15)	249,247,331	238,166,156
Total non-financial assets	250,747,810	239,700,234
Contingent liabilities and commitments (notes 12 and 13)		
Accumulated surplus (note 19)	\$ 28,399,227	\$ 19,252,490

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, 2020, with comparative information for 2019

	Budget (note 16)	2020	2019
Revenues:			
Municipal grants	\$ 61,636,642	\$ 61,768,255	\$ 61,667,125
Provincial grants:			
Grants for student needs	194,025,011	191,346,296	194,567,480
Other	4,329,620	2,649,120	3,150,809
Federal grants and fees	11,721	24,048	69,889
Investment income	634,500	594,031	880,519
Other	5,569,066	5,036,725	6,271,787
School fundraising	5,800,000	3,008,673	5,762,292
	<u>272,006,560</u>	<u>264,427,148</u>	<u>272,369,901</u>
Expenses (note 17):			
Instruction	195,626,918	186,562,487	194,937,431
Administration	7,389,259	7,501,391	7,599,229
Transportation	17,281,357	15,712,897	16,240,334
Pupil accommodation	44,149,151	40,636,917	40,262,271
Other	1,828,610	1,896,639	2,408,146
School funded activities	5,800,000	2,970,080	5,751,444
	<u>272,075,295</u>	<u>255,280,411</u>	<u>267,198,855</u>
Annual surplus (deficit)	(68,735)	9,146,737	5,171,046
Accumulated surplus, beginning of year	19,252,485	19,252,490	14,081,444
Accumulated surplus, end of year (note 19)	\$ 19,183,750	\$ 28,399,227	\$ 19,252,490

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, 2020, with comparative information for 2019

	2020	2019
Annual surplus	\$ 9,146,737	\$ 5,171,046
Acquisition of tangible capital assets	(25,751,714)	(45,101,876)
Amortization of tangible capital assets	14,669,631	12,366,873
Gain on disposal of tangible capital assets	(11,077)	(14,302)
Proceeds on sale of tangible capital assets	252,328	322,999
Gain on sale allocated to deferred revenue	(240,343)	(308,697)
	(1,934,438)	(27,563,957)
Acquisition of prepaid expenses	33,599	149,460
Increase in net debt	(1,900,839)	(27,414,497)
Net debt, beginning of year	(220,447,744)	(193,033,247)
Net debt, end of year	\$ (222,348,583)	\$ (220,447,744)

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, 2020, with comparative information for 2019

	2020	2019
Operating transactions:		
Annual surplus	\$ 9,146,737	\$ 5,171,046
Non-cash items including:		
Amortization, write downs and gain/loss on disposal	14,658,554	12,352,571
Amortization of deferred capital contributions	(14,570,587)	(12,273,970)
Deferred gain on disposal of tangible capital assets	(240,343)	(308,697)
Change in non-cash assets and liabilities:		
Decrease (increase) in accounts receivable (non-capital)	(13,652,453)	371,911
Increase in accounts receivable delayed grant payment	(4,902,988)	(12,171,939)
Increase in accounts payable and accrued liabilities	16,550,734	6,735,465
Increase (decrease) in deferred revenue	(506,898)	244,935
Increase in funds held in trust	132,310	83,906
Decrease in employee benefit liability	(637,461)	(1,050,307)
Decrease in prepaid expenses	33,599	149,460
	(3,135,533)	(5,866,665)
Cash provided by (applied to) operating transactions	6,011,204	(695,619)
Capital transactions:		
Cash used to acquire tangible capital assets	(25,751,714)	(45,101,876)
Proceeds on sale of tangible capital assets	252,328	322,999
Cash applied to capital transactions	(25,499,386)	(44,778,877)
Investing transactions:		
Increase in investments	(20,296)	(22,563)
Financing transactions:		
Decrease in temporary borrowing	(5,715,000)	(3,197,000)
Debt repayment	(3,098,131)	(2,976,702)
Decrease in accounts receivable - Government of Ontario (approved capital)	13,124,500	6,909,766
Increase in deferred capital contributions	19,665,438	45,101,876
Increase (decrease) in deferred capital revenue	(1,966,589)	805,563
Cash provided by financing transactions	22,010,218	46,643,503
Increase in cash	2,501,740	1,146,444
Cash, beginning of year	34,775,485	33,629,041
Cash, end of year	\$ 37,277,225	\$ 34,775,485

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, 2020

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, 2020

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.

(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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

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.

(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

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

1. Significant accounting policies (continued):

(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, retirement gratuity, 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 Trusts (ELHTs) were established in 2016-2017: ETFO and OSSTF. The following (ELHTs) were established in 2017-2018: CUPE-EWBT and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, dental and life insurance benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff) and other school board staff. These benefits are provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

Depending on prior arrangements and employee groups, the Board continues to provide health, dental and life insurance benefits for retired individuals that were previously represented by the following unions/federations: ETFO, OSSTF and CUPE.

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 is actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

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

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

1. Significant accounting policies (continued):

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

(i) (continued)

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

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

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

(i) 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

1. Significant accounting principles (continued):

(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.

(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 - Municipalities:

Due to the response to COVID-19, the Province of Ontario (the "Province") extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. This amount for the Board was \$14,135,758 (2019 - \$Nil) and has been included in accounts receivable on the Consolidated Statement of Financial Position. This amount will be recovered fully by the Board in the following school year.

3. Accounts receivable - Government 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 \$78,764,626 as at August 31, 2020 (2019 - \$91,889,126) with respect to capital grants.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

3. Accounts receivable - Government of Ontario (continued):

The Ministry of Education introduced a cash management strategy effective September 1, 2019. As part of the strategy, the Ministry delays part of the grant payment to the Board where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2020 is \$17,074,927 (2019 - \$12,171,939).

4. Temporary borrowing:

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

The Board has a revolving term loan of up to \$18,693,644 to finance capital expenses under the Ministry's "School Condition Improvement" Program, with \$1,151,000 utilized as at August 31, 2020 (2019 - \$2,277,000) 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 \$2,033,168 for the construction of the new Kingston Intermediate and Secondary School to finance capital expenses under the Ministry's "Capital Priorities" Grant with \$Nil utilized as at August 31, 2020 (2019 - \$4,589,000) 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.

5. Accounts payable – Government of Ontario:

Due to the response to COVID-19, the Province extended the deadlines for municipalities to pay EPT amounts to the Board. To mitigate the financial impact of this deferral the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to about 25% of the annual education property tax amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was \$15,525,169 (2019 - \$Nil). This amount will be recovered by the Province in 2021.

6. 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, 2019.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

6. Employee benefits liability (continued):

(a) (continued):

(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, 2020, the Board's accrued benefit liability relating to retirement gratuities and benefits is \$6,013,813 (2019 - \$6,557,758). Accumulated surplus has been internally appropriated for these liabilities, which amounted to \$4,668,722 for retirement gratuities and benefits respectively as at August 31, 2020 (2019 - \$5,780,322).

(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.

At August 31, 2020, the Board's accrued benefit liability relating to post-retirement benefits is \$275,267 (2019 - \$244,192). Accumulated surplus has been internally appropriated for this liability, which amounted to \$20,766 as at August 31, 2020 (2019 - \$31,149).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

6. Employee benefits liability (continued):

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

(ii) Post-retirement benefits (continued):

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

			2020	2019
	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	\$ 6,557,758	\$ 244,192	\$ 6,801,950	\$ 7,592,860
Current period benefit cost	–	42,936	42,936	–
Change due to plan amendment	–	–	–	244,192
Amortization of actuarial loss	154,328	–	154,328	76,032
Interest on accrued benefit obligation	140,536	5,143	145,679	213,768
Benefit payments	(838,809)	(17,004)	(855,813)	(1,324,902)
Accrued benefit liability, August 31	6,013,813	275,267	6,289,080	6,801,950
Net employee future benefit expenses	\$ 294,864	\$ 48,079	\$ 342,943	\$ 533,992
Accrued employee future benefit obligations, August 31	\$ 6,944,782	\$ 285,457	\$ 7,230,239	\$ 7,690,404
Unamortized actuarial loss	(930,969)	(10,190)	(941,159)	(888,454)
Accrued benefit liability, August 31	\$ 6,013,813	\$ 275,267	\$ 6,289,080	\$ 6,801,950

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

6. 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 \$2,188,821 as at August 31, 2020 (2019 - \$2,332,392).

The amount of the obligation for WSIB that was actuarially determined as at August 31, 2020 is \$2,188,821 (2019 - \$2,332,392).

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

	2020	2019
Accrued benefit obligation, beginning of year	\$ 2,332,392	\$ 2,597,544
Expense recognized for the period	237,498	278,379
Benefits paid for the period	(381,069)	(543,531)
Accrued benefit obligation, end of year	\$ 2,188,821	\$ 2,332,392

(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 \$91,552 (2019 - \$126,393).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

6. 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, 2019. This actuarial valuation is based on assumptions about future events.

At August 31, 2020, the Board's accrued benefit liability relating to sick leave top-up benefits is \$155,161 (2019 - \$136,181).

(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, 2020 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2019. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2020
Discount rate	1.40% per annum
Salary escalation	2% per annum
Dental benefits escalation	increase by a flat rate for 4.50% per annum in 2020
Health benefits escalation	7.25% per annum in 2020, decreasing by 0.25% per annum to an ultimate rate of 4.5%
Inflation rate	1.5% per annum
	2019
Discount rate	2.00% per annum
Salary escalation	0% per annum
Dental benefits escalation	3.50% per annum in 2019, decreasing by 0.25% per annum to an ultimate rate of 3.0%
Health benefits escalation	7.50% per annum in 2019, 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, 2020

6. 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, 2020 amount to \$2,236,442 (2019 - \$1,616,276) and are reported as part of the accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

(d) Employee benefit liability:

	2020	2019
Employee benefit liabilities are comprised of:		
Retirement gratuities	\$ 6,013,813	\$ 6,557,758
Post-retirement benefits	275,267	244,192
Sick leave top-up benefit	155,161	136,181
Workplace safety and insurance	2,188,821	2,332,392
	8,633,062	9,270,523
Vacation credits	2,236,442	1,616,276
	\$ 10,869,504	\$ 10,886,799

7. 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, 2020 and is comprised of:

	Balance as at August 31, 2019	Externally restricted revenue and investment income	Revenue recognized in the period	Transferred to deferred capital contributions	Balance as at August 31, 2020
Special education	\$ 1,806,401	\$ 30,364,115	\$ 30,160,859	\$ –	\$ 2,009,657
Capital funds	4,564,684	267,873	–	4,220,721	611,836
Other	10,835,890	19,868,457	15,891,575	2,700,777	12,111,995
Total deferred revenue	\$ 17,206,975	\$ 50,500,445	\$ 46,052,434	\$ 6,921,498	\$ 14,733,488

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

7. 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.

8. 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.

	2020	2019
Balance, beginning of year	\$ 230,491,945	\$ 197,664,039
Additions to deferred capital contributions	19,665,438	45,101,876
Revenue recognized in the period	(14,570,587)	(12,273,970)
Balance, end of year	\$ 235,586,796	\$ 230,491,945

9. Debt charges on capital borrowing:

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

	2020	2019
Interest payments on long-term debt	\$ 2,936,803	\$ 3,058,235
Accrued interest charges on long-term debt	(41,300)	(35,292)
Total interest expenses	\$ 2,895,503	\$ 3,022,943

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

10. Net long-term liabilities:

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

	2020	2019
Ontario Financing Authority, maturing November 2031	\$ 3,570,998	\$ 3,802,679
Ontario Financing Authority, maturing March 2033	7,971,220	8,410,310
Ontario Financing Authority, maturing March 2034	8,465,156	8,879,683
Ontario Financing Authority, maturing April 2035	2,665,050	2,780,724
Ontario Financing Authority, maturing March 2036	2,798,617	2,914,242
Ontario Financing Authority, maturing March 2037	4,968,389	5,181,011
Ontario Financing Authority, maturing June 2038	23,250,498	24,141,835
Ontario Financing Authority, maturing March 2039	159,427	165,017
Ontario Financing Authority, maturing March 2040	18,402,269	19,074,254
	<u>\$ 72,251,624</u>	<u>\$ 75,349,755</u>

The Board entered into a loan agreement effective November 3, 2006 with the Ontario Financing Authority in the amount of \$5,967,000 (\$3,570,998 is outstanding as at August 31, 2020) 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 (\$7,971,220 is outstanding as at August 31, 2020) 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 Board entered into a third loan agreement effective March 3, 2009 with the Ontario Financing Authority in the amount of \$12,061,042 (\$8,465,156 is outstanding as at August 31, 2020) 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 (\$2,665,050 is outstanding as at August 31, 2020) 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 LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

10. Net long-term liabilities (continued):

The Board entered into a fifth loan agreement effective March 2011 with the Ontario Financing Authority in the amount of \$3,664,849 (\$2,798,617 is outstanding as at August 31, 2020) 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 (\$4,968,389 is outstanding as at August 31, 2020) 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 (\$23,250,498 is outstanding as at August 31, 2020) 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 (\$165,017 is outstanding as at August 31, 2020) 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 Board entered into a ninth loan agreement effective March 2015 with the Ontario Financing Authority in the amount of \$21,571,170 (\$18,402,269 is outstanding as at August 31, 2020) 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

10. Net long-term liabilities (continued):

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			
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
2024	3,637,684	2,397,252	6,034,936
2025	3,787,237	2,247,699	6,034,936
Future years	54,751,062	13,718,998	68,470,060
	\$ 72,251,624	\$ 26,393,116	\$ 98,644,740

11. 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, 2020, the Board contributed \$3,207,240 (2019 - \$3,197,719) 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.

12. 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.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

12. Contingent liabilities (continued):

- (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.

13. Commitments:

- (a) The Board has entered into contract commitments for \$49,861,960 related to the new Kingston Intermediate and Secondary School. As of August 31, 2020, \$46,456,454 in expenses have been incurred and are included in construction in progress as part of tangible capital assets on the Consolidated Statement of Financial Position.
- (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 (2019 - \$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, 2020.

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.

14. Trust funds:

- (a) The Board was the trustee for \$4,025,822 (2019 - \$3,882,555) 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, 2019, the Foundation held assets of \$2,322,498 (2018 - \$2,147,061). These amounts are not included in the Board's consolidated financial statements.

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

15. Tangible capital assets:

Cost	Balance at August 31, 2019	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2020
Land	\$ 4,551,274	\$ –	\$ (908)	\$ 4,550,366
Land improvements	14,453,131	4,725,804	–	19,178,935
Buildings	302,752,350	8,913,280	–	311,665,630
Portable structures	4,010,235	208,018	–	4,218,253
Furniture and equipment	6,520,261	218,141	(107,714)	6,630,688
Computer hardware	1,559,680	54,778	(438,680)	1,175,778
Computer software	286,733	59,300	–	346,033
Vehicles	2,048,604	17,316	(415,073)	1,650,847
Construction-in-progress	34,901,377	11,555,077	–	46,456,454
Total	\$ 371,083,645	\$ 25,751,714	\$ (962,375)	\$ 395,872,984

Accumulated amortization	Balance at August 31, 2019	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2020
Land improvements	\$ 5,730,732	\$ 4,690,566	\$ –	\$ 10,421,298
Buildings	118,956,637	8,683,300	–	127,639,937
Portable structures	2,524,280	196,897	–	2,721,177
Furniture and equipment	3,177,847	592,625	(107,714)	3,662,758
Computer hardware	946,832	273,546	(438,680)	781,698
Computer software	105,410	63,277	–	168,687
Vehicles	1,475,751	169,420	(415,073)	1,230,098
Total	\$ 132,917,489	\$ 14,669,631	\$ (961,467)	\$ 146,625,653

	Net book value August 31, 2019	Net book value August 31, 2020
Land	\$ 4,551,274	\$ 4,550,366
Land improvements	8,722,399	8,757,637
Buildings	183,795,713	184,025,693
Portable structures	1,485,955	1,497,076
Furniture and equipment	3,342,414	2,967,930
Computer hardware	612,848	394,080
Computer software	181,323	177,346
Vehicles	572,853	420,749
Construction-in-progress	34,901,377	46,456,454
Total	\$ 238,166,156	\$ 249,247,331

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

16. Budget data:

The budget data presented in these consolidated financial statements is based upon the revised 2019-2020 original budget that was approved by the Board of Trustees on June 19, 2019.

17. Expenses by object:

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

	2020 Budget (note 16)	2020 Actual	2019 Actual
Expenses:			
Salary and wages	\$ 178,640,940	\$ 172,170,509	\$ 177,774,557
Employee benefits	28,533,070	27,710,365	27,881,497
Staff development	619,416	305,585	757,838
Supplies and services	16,998,178	13,584,720	17,204,540
Interest on long-term debt	2,900,014	2,895,503	3,022,943
Rental expenses	125,000	137,202	145,648
Fees and contract services	21,920,653	19,946,966	20,969,535
Other	792,601	889,850	1,323,980
	\$ 250,529,872	\$ 237,640,700	\$ 249,080,538
Amortization	\$ 15,745,423	\$ 14,669,631	\$ 12,366,873
School activities	\$ 5,800,000	\$ 2,970,080	\$ 5,751,444
Total expenses	\$ 272,075,295	\$ 255,280,411	\$ 267,198,855

18. 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 \$14,510,163 (2019 - \$14,923,000) and administration costs of \$553,842 (2019 - \$621,642).
- (ii) The Board received management fees of \$NIL (2019 - \$30,000).

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

18. Related entities (continued):

Tri-Board's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2020 are as follows:

	2020	2019
Financial assets	\$ 3,196,619	\$ 1,699,194
Financial liabilities	(3,352,817)	(1,879,972)
Net debt	(156,198)	(180,778)
Non-financial assets	219,169	238,010
Accumulated surplus	\$ 62,971	\$ 57,232

	2020	2019
Revenue	\$ 39,665,738	\$ 40,691,195
Expenses	39,660,000	40,613,752
Annual surplus	\$ 5,738	\$ 77,443

19. Accumulated surplus:

Accumulated surplus consists of the following:

	2020	2019
Available for compliance:		
Unappropriated	\$ 8,643,228	\$ 2,646,236
Internally appropriated:		
Pupil Accommodation, School Renewal	-	3,107,245
Committed Capital Projects	9,110,169	3,122,939
School Budget Balances	2,819,234	2,373,074
Technology Infrastructure	-	255,383
Retirement Benefits	4,689,488	5,811,471
Workers Safety Insurance Board	2,188,821	2,332,392
	27,450,940	19,648,740
Unavailable for compliance:		
Employee Future Benefits	(6,206,184)	(7,471,738)
Accrued Interest	(830,101)	(871,401)
School Generated Funds	3,434,204	3,395,613
Revenue Recognized for Land	4,550,368	4,551,276
	948,287	(396,250)
Accumulated surplus	\$ 28,399,227	\$ 19,252,490

THE LIMESTONE DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2020

20. Impact of COVID-19:

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (“COVID- 19”) a global pandemic. This resulted in the Province mandating that all Boards close their schools and administrative buildings on March 13, 2020 and moving to online/learn-from-home education format for the remainder of the 2019-2020 school year based on recommendations from Public Health Ontario. For the 2020-2021 school year the schools reopened to students, effective September 2020, with enhanced public health protocols, or the option to continue with online education and at-home distance learning. The Board continues to monitor the situation and plan for potential changes during the fiscal 2021 school year and beyond.

As a result of the pandemic, the Board may experience increased risk exposure in several areas. This includes an increased credit risk exposure on accounts receivable where the risk of default on contractual obligations may increase.

The Board is actively monitoring cash flow forecasts and budget. As detailed in note 2 and 5, to mitigate the financial impact of the deferral on the education property tax to school boards, the Ministry of Education adjusted its cash flow schedule to help offset the deferral through an increased School Board Operating Grant in June 2020.

Subsequent to year-end, the Board received personal protective equipment (PPE) and cleaning supplies from the Ministry of Education for all teachers, other school board staff and students. The cost recovery model for PPE received from the Ministry has not yet been formally communicated to School Boards.

As at August 31, 2020, the Board did not have significant adjustments to reflect the possible future impact of COVID-19. Management assessed the impact on the Board and believes there are no significant financial issues as the Board has strong working capital available and access to sufficient liquid resources to sustain operations in the coming year. The outcome and timeframe to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.