Consolidated Financial Statements of

DURHAM DISTRICT SCHOOL BOARD

Year ended August 31, 2020

Durham District School Board

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

September 1, 2019 – August 31, 2020

DURHAM DISTRICT SCHOOL BOARD

Table of Contents

Year ended August 31, 2020

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Board's 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, Chartered Professional Accountants, 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

Associate Director of Corporate Services

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Durham District School Board

Opinion

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

- the consolidated statement of financial position as at August 31, 2020
- the consolidated statement 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 August 31, 2020, and its consolidated results of operations, its consolidated changes in net debt and its consolidated cash flows for the year then ended in accordance with the basis of accounting 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 - Financial Reporting Framework

We draw attention to note 1 in 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 described in note 1 in 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 represents 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

November 16, 2020

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2020, with comparative information for 2019

	2020	2019
Financial assets		
Cash and cash equivalents	$ 60,707,101	$ 38,151,537
Accounts receivable (notes 2 and 3)	354,032,019	331,359,868
Assets held for sale (note 5)	124,735	–
	414,863,855	369,511,405
Financial liabilities		
Temporary borrowing (note 10)	16,500,000	26,300,000
Accounts payable and accrued liabilities (note 4)	109,272,923	43,058,477
Deferred revenue (note 6)	14,688,563	11,317,576
Retirement and other employee future benefits (note 8)	38,414,409	41,612,814
Net debenture debt and capital loans (note 9)	224,265,218	234,066,550
Deferred capital contributions (note 7)	751,094,951	737,911,527
	1,154,236,064	1,094,266,944
Net debt	(739,372,209)	(724,755,539)
Non-financial assets		
Tangible capital assets (note 13)	992,757,365	969,051,094
Prepaids and other assets	14,145,197	16,009,958
	1,006,902,562	985,061,052
Contractual obligations (note 17)		
Contingencies (note 21)		
Accumulated surplus (note 14)	$ 267,530,353	$ 260,305,513

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2020, with comparative information for 2019

	Budget 2020 (note 18)	Actual 2020	Actual 2019
Revenues:			
Provincial grants - grants for student needs	$ 822,796,910	$ 814,192,626	$ 827,907,266
Provincial grants - other	1,868,026	5,526,383	5,852,872
Federal grants and fees	732,649	2,080,305	2,208,197
School-generated funds	18,600,626	8,662,939	18,251,789
Individual tuition fees	596,609	1,146,213	1,508,666
Other fees and revenue	8,091,942	11,157,204	14,602,210
Investment income:			
Operations	700,486	1,154,817	1,026,233
Sinking fund assets (note 11)	678,855	1,240,293	8,047,128
	854,066,103	845,160,780	879,404,361
Expenses (note 12):			
Instruction	657,623,669	650,004,839	674,993,870
Administration	19,192,835	22,068,143	20,446,136
School-funded activities	18,600,626	8,040,862	18,384,873
Transportation	23,918,928	24,819,352	22,812,643
Pupil accommodation	131,391,311	122,698,693	130,313,928
Other	4,924,095	10,304,051	11,121,872
	855,651,464	837,935,940	878,073,322
Annual surplus (deficit)	(1,585,361)	7,224,840	1,331,039
Accumulated surplus, beginning of year	259,541,483	260,305,513	258,974,474
Accumulated surplus, end of year (note 14)	$ 257,956,122	$ 267,530,353	$ 260,305,513

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Net Debt

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Annual surplus	$ 7,224,840	$ 1,331,039
Amortization of tangible capital assets	49,661,715	45,508,973
Change in non-financial assets' inventory and other assets	1,864,761	(4,067,722)
Net book value of disposed tangible capital assets	3,534,676	–
Purchase of tangible capital assets	(76,902,662)	(71,453,670)
Increase in net debt	(14,616,670)	(28,681,380)
Net debt, beginning of year	(724,755,539)	(696,074,159)
Net debt, end of year	$ (739,372,209)	$ (724,755,539)

See accompanying notes to consolidated financial statements.

DURHAM DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 7,224,840	$ 1,331,039
Items not involving cash:		
Amortization of tangible capital assets	49,661,715	45,508,973
Amortization of deferred capital contributions	(42,943,455)	(38,742,688)
Net book value of disposed tangible capital assets	3,534,676	–
Change in non-cash assets and liabilities:		
Accounts receivable	(22,672,151)	(4,801,460)
Assets held for sale	(124,735)	–
Prepaids and other assets	1,864,761	(4,067,722)
Accounts payable and accrued liabilities	66,214,446	(11,264,059)
Deferred revenue	3,370,987	1,294,651
Retirement and other employee future benefits	(3,198,405)	(330,232)
	62,932,679	(11,071,498)
Capital activities:		
Purchase of tangible capital assets	(76,902,662)	(71,453,670)
Financing activities:		
Temporary borrowing	(9,800,000)	26,300,000
Debt repaid and sinking fund contributions	(9,801,332)	(17,743,838)
Increase in sinking fund assets	–	(8,047,128)
Additions to deferred capital contributions	56,126,879	59,910,908
	36,525,547	60,419,942
Increase (decrease) in cash and cash equivalents	22,555,564	(22,105,226)
Cash and cash equivalents, beginning of year	38,151,537	60,256,763
Cash and cash equivalents, end of year	$ 60,707,101	$ 38,151,537

See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

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

(a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education (the "Ministry") 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 (the "Province"). A directive was provided by the Ministry 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, Accounting Policies and Practices Public Entities ("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 consolidated 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 depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property taxation revenue.

1. Significant accounting policies (continued):

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

(i) 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, Government Transfers;

(ii) 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, Restricted Assets and Revenues; and

(iii) property taxation revenue be reported as revenue when received or receivable in accordance with Public Sector Accounting Standard PS3510, Tax Revenue.

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

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity comprises all organizations accountable for the administration of their financial affairs and resources to Durham District School Board (the "Board") and which are controlled by the Board.

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

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

(c) Trust funds:

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board.

1. Significant accounting policies (continued):

(d) Cash and cash equivalents:

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

(e) Investments:

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

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

(f) Deferred revenue:

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

(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, are recorded as deferred capital contributions when the asset has been acquired as required by Regulation 395/11. These amounts are recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate and over the same period that the related tangible capital asset is amortized. The following items fall under this category:

(i) government transfers received or receivable for capital purpose;

(ii) other restricted contributions received or receivable for capital purpose; and

(iii) property taxation revenue which were historically used to fund capital assets.

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, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the Principals and Vice-Principals Associations, the following Employee Life and Health Trusts ("ELHTs") were established in 2016-2017: Elementary Teachers' Federation of Ontario ("ETFO"), ETFO-EW and Ontario Secondary School Teachers' Federation ("OSSTF"). The following ELHTs were established in 2017-2018: Canadian Union of Public Employees ("CUPE"), Education Workers' Benefits Trust ("EWBT") and Ontario Non-union Education Trust ("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 and retired individuals from the school board's participation date into the ELHTs. 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 no longer administers 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.

1. Significant accounting policies (continued):

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

(i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best 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, at which time, the plan was curtailed, and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

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

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation 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 cost of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pension, is the employer's contribution due to the plan during the year.

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

1. Significant accounting policies (continued):

(i) Tangible capital assets:

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

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Land improvements with finite lives	15 years
Buildings	20 years and 40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	3 - 5 years
Computer software	5 years
Vehicles	5 - 10 years
Buildings - leasehold improvements	Remaining term of lease

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

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

1. Significant accounting policies (continued):

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

(j) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the year 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 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.

(k) Investment income:

Investment income earned is reported as revenue in the fiscal year earned.

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

(l) Long-term debt:

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

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

1. Significant accounting policies (continued):

(n) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

(i) an environmental standard exists;

(ii) contamination exceeds the environmental standard;

(iii) the Board is directly responsible or accepts responsibility for the liability;

(iv) future economic benefits will be given up; and

(v) a reasonable estimate of the liability can be made.

(o) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the consolidated statement of operations and accumulated surplus in the year in which they become known. Significant estimates include assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. In addition, the Board's implementation of Public Sector Accounting Standard PS3150, Tangible Capital Assets, requires management to make estimates of historical cost and useful lives of tangible capital assets. Actual results could differ from these estimates.

1. **Significant accounting policies (continued):**

(p) Property tax revenue:

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

2. **Accounts receivable - Government of Ontario:**

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

Included in accounts receivable as at August 31, 2020 is an amount from the Province of $247,149,172 (2019 - $260,346,620) with respect to capital grants.

The Ministry introduced a cash management strategy effective September 1, 2018. As part of the strategy, the Ministry delays part of the grant payment to school boards 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 $28,822,496 (2019 - $27,517,103).

3. **Accounts receivable - municipalities:**

Due to the response to COVID-19, the Province extended the deadlines for municipalities to pay Education Property Tax ("EPT") amounts to the Board. This amount for the Board was $46,783,991 (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.

4. 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 June 2020 to pay an additional amount equal to about 25% of the annual EPT amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was $47,162,690 (2019 - nil). This amount will be recovered by the Province in 2021.

5. Assets held for sale:

As of August 31, 2020, $124,735 (2019 - nil) related to buildings and nil (2019 - nil) related to land were recorded as assets held for sale. During the year, properties with a net book of $124,735 were reclassified.

6. Deferred revenue:

Revenue received that has been set aside for specific purposes by legislation, regulation or agreement is included in deferred revenue and reported in the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2020 is summarized below:

2020	Deferred revenue, beginning of year	Increase	Decrease	Deferred revenue, end of year
Education development charges	$ –	$ 7,599,589	$ 7,599,589	$ –
Proceeds of disposition, including interest allocation	1,528,678	6,746,605	5,864,589	2,410,694
Other:				
Capital	7,032,749	10,591,370	8,438,874	9,185,245
Operating	2,756,149	110,512,982	110,176,507	3,092,624
	$ 11,317,576	$ 135,450,546	$ 132,079,559	$ 14,688,563

6. Deferred revenue (continued):

2019	Deferred revenue, beginning of year	Increase	Decrease	Deferred revenue, end of year
Education development charges	$ –	$ 5,382,245	$ 5,382,245	$ –
Proceeds of disposition, including interest allocation	1,528,678	6,795,364	6,795,364	1,528,678
Other:				
Capital	4,652,984	10,360,678	7,980,913	7,032,749
Operating	3,841,263	108,465,928	109,551,042	2,756,149
	$ 10,022,925	$ 131,004,215	$ 129,709,564	$ 11,317,576

7. Deferred capital contributions:

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

	2020	2019
Balance, beginning of year	$ 737,911,527	$ 716,743,307
Additions to deferred capital contributions	56,126,879	59,910,908
Revenue recognized in the year	(42,943,455)	(38,742,688)
Balance, end of year	$ 751,094,951	$ 737,911,527

8. Retirement and other employee future benefits:

Retirement and other employee future benefits liabilities:

2020	Retirement benefits	Other employee future benefits	Total employee future benefits
Accrued employee future benefits liability	$ 31,642,408	$ 11,850,866	$ 43,493,274
Unamortized actuarial loss	(5,078,865)	–	(5,078,865)
Employee future benefits liability at August 31	$ 26,563,543	$ 11,850,866	$ 38,414,409

2019	Retirement benefits	Other employee future benefits	Total employee future benefits
Accrued employee future benefits liability	$ 34,299,489	$ 12,170,326	$ 46,469,815
Unamortized actuarial loss	(4,857,001)	–	(4,857,001)
Employee future benefits liability at August 31	$ 29,442,488	$ 12,170,326	$ 41,612,814

Retirement and other employee future benefits expense:

2020	Retirement benefits	Other employee future benefits	Total employee future benefits
Current year benefit cost	$ –	$ 2,255,807	$ 2,255,807
Interest on accrued benefit obligation	643,211	229,790	873,001
Amortized actuarial loss	755,675	(85,105)	670,570
Employee future benefits expense[(1)]	$ 1,398,886	$ 2,400,492	$ 3,799,378

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

2019	Retirement benefits	Other employee future benefits	Total employee future benefits
Current year benefit cost	$ –	$ 6,312,247	$ 6,312,247
Interest on accrued benefit obligation	955,763	286,139	1,241,902
Amortized actuarial loss	431,568	69,101	500,669
Employee future benefits expense[1]	$ 1,387,331	$ 6,667,487	$ 8,054,818

[1]Excluding pension contributions to OMERS, a multi-employer pension plan described below.

(a) Retirement benefits:

(i) Ontario Teachers' Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of 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's contributions equal the employee's contributions to the plan. During the year ended August 31, 2020, the Board contributed $10,345,965 (2019 - $10,386,037) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

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

(iii) Retirement gratuities:

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

(iv) Retirement life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for Board subsidized premiums or contributions.

(b) Other employee future benefits:

(i) Sick leave top-up benefits:

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are $361,137 (2019 - $435,277).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2019 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2020.

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

(ii) Workplace Safety and Insurance Board ("WSIB") obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Board Act (the "Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4-1/2 years for employees receiving payments from WSIB, where the collective agreement negotiated prior to 2012 included such a provision.

(iii) Long-term disability:

The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the defined benefit plan.

The accrued benefit obligations for employee future benefit plans as at August 31, 2020 are based on actuarial assumptions of future events determined for accounting purposes as of August 31, 2020 and based on updated average daily salary and banked sick days as at August 31, 2020. These valuations take into account the plan changes outlined above and assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates:

	2020	2019
Inflation	1.50%	1.50%
Wages and salary escalation	0.00%	0.00%
Insurance and health care cost escalation	4.50% - 7.25%	3.50% - 7.75%
Discount on accrued benefit obligations	1.40%	2.00%

9. Net debenture debt and capital loans:

	2020	2019
Debenture #1:		
6.75%, 20-year sinking fund debenture for $160,000,000, matured November 2019	$ –	$ 160,000,000
Capital loan - Good Places to Learn:		
4.56%, 25-year amortizing debenture for $25,375,026 held with Ontario Financing Authority, maturing November 2031	15,185,884	16,171,120
4.90%, 25-year amortizing loan for $14,996,927 held with Ontario Financing Authority, maturing March 2033	9,908,115	10,453,896
5.06%, 25-year amortizing loan for $15,944,350 held with Ontario Financing Authority, maturing March 2034	11,190,692	11,738,685
5.232%, 25-year amortizing loan for $34,865,412 held with Ontario Financing Authority, maturing April 2035	25,867,809	26,990,589
4.83%, 25-year amortizing loan for $17,404,657 held with Ontario Financing Authority, maturing March 11, 2036	13,290,852	13,839,968
Capital loan - New Pupil Places:		
4.86%, 25-year amortizing loan for $16,000,000 held with Ontario Financing Authority, maturing June 2033	10,784,546	11,360,804
5.047%, 25-year amortizing loan for $74,957,615 held with Ontario Financing Authority, maturing November 2034	54,144,956	56,628,435
3.97%, 25-year amortizing loan for $1,772,255 held with Ontario Financing Authority, maturing March 2036	1,367,929	1,425,692
3.564%, 25-year amortizing loan for $13,710,012 held with Ontario Financing Authority, maturing March 2037	10,517,572	10,967,671
4.003%, 25-year amortizing loan for $12,786,341 held with Ontario Financing Authority, maturing March 2039	10,735,977	11,112,436
2.993%, 25-year amortizing loan for $35,634,064 held with Ontario Financing Authority, maturing March 2040	30,399,262	31,509,334
3.242%, 25-year amortizing loan for $25,580,732 held with Ontario Financing Authority, maturing March 2041	22,707,416	23,460,760
3.594%, 25-year amortizing loan for $8,867,856 held with Ontario Financing Authority, maturing March 2042	8,164,208	8,407,160
	224,265,218	394,066,550
Less sinking fund assets	–	160,000,000
	$ 224,265,218	$ 234,066,550

9. Net debenture debt and capital loans (continued):

Principal and interest payments relating to net debenture debt and capital loans of $224,265,218 (2019 - $234,066,550) outstanding as at August 31, 2020 and 2019 are due as follows:

2020	Principal and sinking fund contributions	Interest	Total
2020 - 2021	$ 10,244,199	$ 9,682,130	$ 19,926,329
2021 - 2022	10,707,717	9,218,613	19,926,330
2022 - 2023	11,192,875	8,733,457	19,926,332
2023 - 2024	11,700,700	8,225,630	19,926,330
2024 - 2025	12,232,284	7,694,045	19,926,329
Thereafter	168,187,443	44,565,363	212,752,806
	$ 224,265,218	$ 88,119,238	$ 312,384,456

2019	Principal and sinking fund contributions	Interest	Total
2019 - 2020	$ 169,801,332	$ 15,524,996	$ 185,326,328
2020 - 2021	10,244,199	9,682,130	19,926,329
2021 - 2022	10,707,717	9,218,613	19,926,330
2022 - 2023	11,192,875	8,733,457	19,926,332
2023 - 2024	11,700,700	8,225,630	19,926,330
Thereafter	180,419,727	52,259,408	232,679,135
	394,066,550	103,644,234	497,710,784
Less sinking fund assets	160,000,000	–	160,000,000
	$ 234,066,550	$ 103,644,234	$ 337,710,784

Retirement of sinking funds in the year that they mature are not included as payments in the above tables.

9. Net debenture debt and capital loans (continued):

In November 2019, net debenture debt of $160,000,000 became due and was fully repaid with sinking fund assets that also had a carrying value of $160,000,000 at the time of maturity.

10. Temporary borrowing:

The Board has a line of credit available to the maximum of $95,000,000 to address operating requirements and/or to bridge capital expenditures.

Interest on the operating facilities is the bank's prime lending rate minus 0.50%, while bankers' acceptance facility is the bankers' acceptance rate plus 0.75%. All loans are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdraft.

As at August 31, 2020, the amount drawn under the bankers' acceptance facility was $16,500,000 (2019 - $26,300,000) at a rate of 1.23% (2019 - 2.70%).

11. Debt charges and interest on capital loans and leases:

	2020	2019
Debenture and capital loan principal payments, including contributions to sinking funds	$ 169,801,332	$ 17,743,838
Interest on debentures and capital loan	15,524,996	21,717,990
	$ 185,326,328	$ 39,461,828

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of $171,041,625 (2019 - $25,790,966) are principal payments on long-term debt of $169,801,332 (2019 - $17,743,838) and sinking fund interest revenue of $1,240,293 (2019 - $8,047,128).

12. Expenses by object:

The following is a summary of the expenses reported on the consolidated statement of operations and accumulated surplus by object:

	Budget 2020 (note 18)	Actual 2020	Actual 2019
Salary and wages	$ 602,859,544	$ 590,945,095	$ 598,726,612
Employee benefits	84,552,446	94,432,257	95,963,617
Staff development	845,350	764,597	2,190,243
Supplies and services	45,579,654	37,930,414	51,664,446
Interest	15,525,085	12,944,468	22,275,088
Rental expenditures	603,550	273,806	306,571
Fees and contract services	30,612,455	32,701,855	32,226,547
Other	4,503,916	10,016,195	10,826,352
School funded activities	18,600,626	8,040,862	18,384,873
Amortization, write-down and loss on disposal of tangible capital assets/assets held for sale	51,968,838	49,886,391	45,508,973
	$ 855,651,464	$ 837,935,940	$ 878,073,322

13. Tangible capital assets:

Cost	Balance at August 31, 2019	Additions	Disposals and adjustments	Balance at August 31, 2020
Land	$ 137,691,647	$ 23,562,156	$ (3,209,426)	$ 158,044,377
Land improvements	10,956,206	1,498,253	–	12,454,459
Buildings - 40 years	1,153,983,385	29,739,620	10,283,839	1,194,006,844
Buildings - 20 years	1,732,114	–	–	1,732,114
Buildings - leasehold improvements	15,651	–	–	15,651
Portable structures	24,226,146	1,137,236	–	25,363,382
First-time equipping of schools	15,093,580	197,370	(2,688,178)	12,602,772
Furniture	437,470	36,884	(17,714)	456,640
Equipment	5,257,008	1,363,939	(105,956)	6,514,991
Computer hardware	45,475,580	12,059,997	(3,496,307)	54,039,270
Computer software	1,431,003	66,092	(346,974)	1,150,121
Vehicles	1,586,607	133,988	(249,596)	1,470,999
Assets under construction	13,513,237	7,107,127	(11,817,200)	8,803,164
Total	$ 1,411,399,634	$ 76,902,662	$ (11,647,512)	$ 1,476,654,784

Accumulated amortization	Balance at August 31, 2019	Amortization	Disposals and adjustments	Balance at August 31, 2020
Land improvements	$ 3,013,379	$ 831,858	$ –	$ 3,845,237
Buildings - 40 years	398,741,240	35,702,746	(1,208,111)	433,235,875
Buildings - 20 years	155,047	86,606	–	241,653
Buildings - leasehold improvement	3,913	7,826	–	11,739
Portable structures	6,118,217	1,259,580	–	7,377,797
First-time equipping of schools	8,382,971	1,153,889	(2,688,178)	6,848,682
Furniture	144,211	43,821	(17,714)	170,318
Equipment	2,075,937	555,676	(105,956)	2,525,657
Computer hardware	21,876,362	9,596,612	(3,496,307)	27,976,667
Computer software	950,597	207,128	(346,974)	810,751
Vehicles	886,666	215,973	(249,596)	853,043
Total	$ 442,348,540	$ 49,661,715	$ (8,112,836)	$ 483,897,419

13. Tangible capital assets (continued):

Cost	Balance at August 31, 2018	Additions	Disposals and adjustments	Balance at August 31, 2019
Land	$ 135,499,781	$ 2,189,311	$ 2,555	$ 137,691,647
Land improvements	8,894,216	2,061,990	–	10,956,206
Buildings - 40 years	1,079,141,467	39,912,098	34,929,820	1,153,983,385
Buildings - 20 years	744,956	–	987,158	1,732,114
Buildings - leasehold improvements	–	15,651	–	15,651
Portable structures	19,950,815	4,275,331	–	24,226,146
First-time equipping of schools	13,639,268	1,701,832	(247,520)	15,093,580
Furniture	425,197	70,432	(58,159)	437,470
Equipment	4,294,869	1,230,665	(268,526)	5,257,008
Computer hardware	42,914,629	8,121,652	(5,560,701)	45,475,580
Computer software	2,674,109	41,502	(1,284,608)	1,431,003
Vehicles	1,640,645	212,099	(266,137)	1,586,607
Assets under construction	37,811,663	11,621,107	(35,919,533)	13,513,237
Total	$ 1,347,631,615	$ 71,453,670	$ (7,685,651)	$ 1,411,399,634

Accumulated amortization	Balance at August 31, 2018	Amortization	Disposals and adjustments	Balance at August 31, 2019
Land improvements	$ 2,341,113	$ 672,266	$ –	$ 3,013,379
Buildings - 40 years	365,251,385	33,489,855	–	398,741,240
Buildings - 20 years	93,120	61,927	–	155,047
Buildings - leasehold improvement	–	3,913	–	3,913
Portable structures	4,993,952	1,124,265	–	6,118,217
First-time equipping of schools	7,340,632	1,289,859	(247,520)	8,382,971
Furniture	163,029	39,341	(58,159)	144,211
Equipment	1,895,128	449,335	(268,526)	2,075,937
Computer hardware	19,522,717	7,914,346	(5,560,701)	21,876,362
Computer software	1,987,850	247,355	(1,284,608)	950,597
Vehicles	936,292	216,511	(266,137)	886,666
Total	$ 404,525,218	$ 45,508,973	$ (7,685,651)	$ 442,348,540

13. Tangible capital assets (continued):

	Net book value 2020	2019
Land	$ 158,044,377	$ 137,691,647
Land improvements	8,609,222	7,942,827
Buildings - 40 years	760,770,969	755,242,145
Buildings - 20 years	1,490,461	1,577,067
Buildings - leasehold improvement	3,912	11,738
Portable structures	17,985,585	18,107,929
First-time equipping of schools	5,754,090	6,710,609
Furniture	286,322	293,259
Equipment	3,989,334	3,181,071
Computer hardware	26,062,603	23,599,218
Computer software	339,370	480,406
Vehicles	617,956	699,941
Assets under construction	8,803,164	13,513,237
Total	$ 992,757,365	$ 969,051,094

(a) Assets under construction:

Assets under construction having a value of $8,803,164 (2019 - $13,513,237) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down and disposal of tangible capital assets:

The write-down of tangible capital assets during the year was nil (2019 - nil).

During the year, tangible capital assets, including land with a net book value of $3,209,426 (2019 - nil) and buildings with a net book value of $200,515 (2019 - nil) were disposed for proceeds of $6,746,605, resulting in a gain of 3,336,660. In accordance with Ontario Regulation 193/10, the full proceeds were deferred for future tangible capital asset purchases.

(c) Assets permanently removed from service:

The Board has not identified any land or building properties that qualify as assets permanently removed from service.

14. Accumulated surplus:

Accumulated surplus consists of the following:

	2020	2019
Working funds	$ 17,466,155	$ 17,936,996
Amounts restricted for future use of Board:		
Retirement benefits	26,500,000	29,400,000
Other employee future benefits, including WSIB	11,404,624	11,804,150
School Block Budget	6,092,951	2,035,025
Local priorities	–	507,267
Transportation	798,478	798,478
Continuing education	250,000	250,000
Outdoor education	600,557	600,551
Debenture redemption	–	454,769
Capital purposes	–	110,924
Special education	580,415	580,415
Committed capital projects	18,951,182	19,887,702
	65,178,207	66,429,281
Amounts to be recovered:		
Employee future benefits	(15,911,502)	(21,657,874)
Interest accrual	(2,860,293)	(6,080,484)
Committed sinking fund interest earned	63,492,867	68,174,408
	44,721,072	40,436,050
Other:		
School-generated funds	8,924,795	8,409,805
Revenue recognized for land	131,240,124	127,093,381
	140,164,919	135,503,186
Total surplus	$ 267,530,353	$ 260,305,513

15. Ontario School Board Insurance Exchange ("OSBIE"):

The Board is a member of OSBIE, a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of $27,000,000 per occurrence.

The ultimate premiums over a five-year period are based on the reciprocals 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 2021.

16. Mississaugas of Scugog Island First Nation:

The Mississaugas of Scugog Island First Nation paid tuition fees of approximately $185,412 (2019 - $153,825) to the Board in 2019 - 2020.

17. Contractual obligations:

The Board had in previous years entered into contracts for several major projects under the Board's School Improvement and Accommodation Plan. These projects relate to the construction and upgrading of several schools. As at August 31, 2020, the Board has contracts outstanding for capital work valued at approximately $20,441,000 (2019 - $8,652,000).

18. Budget data:

The budget data presented in these consolidated financial statements is based upon the 2020 budgets approved by the Board on June 26, 2019. Where amounts were not budgeted for, the actual amounts for 2019 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

19. Durham Student Transportation Services:

On December 19, 2005, the Board entered into a consortium agreement with Durham Catholic District School Board in order to provide common administration of student transportation in the Durham Region. This agreement was executed in an effort to increase delivery efficiency and cost-effectiveness of student transportation for each of the school boards. Under the agreement, decisions related to the financial and operating activities of the Durham transportation consortium are shared. No party is in a position to exercise unilateral control.

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

20. Trust funds:

The trust fund balances administered by the Board amount to $1,876,247 (2019 - $1,817,906) and have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

21. Contingencies:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The Board has experienced physical closure of facilities (schools and administrative buildings) from March 16, 2020 to August 14, 2020 based on public health recommendations, temporarily implemented mandatory working from home requirements for those able to do so, and the cancellation of fundraising events and other programs.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify any such adjustments. The duration and ongoing impact of the COVID-19 pandemic remains unclear at this time. As such, it is not possible to reliably estimate the impact on the Board's financial position or results of operations for future periods.

22. Comparative information:

Certain comparative information has been reclassified to conform with the current year's method of presentation.