

## AVON MAITLAND DISTRICT SCHOOL BOARD

***We Will: Create Positive, Inclusive Learning Environments, and Maximize Outcomes for Students***

### REPORT OF THE AUDIT COMMITTEE

**TO: Regular Board Meeting – Tuesday, November 14, 2017**

**AGENDA ITEM: 4.2 (a)**

**SUBJECT: Approval of the Consolidated Financial Statements for the Period September 1, 2016 to August 31, 2017**

#### **1.0 Background**

- 1.1 In accordance with Board Policy 10 re *Committees of the Board*, the Audit Committee is required to review the draft audited consolidated financial statements of Avon Maitland District School Board (the “Board”) with the external auditor (KPMG) and recommend the audited Consolidated Financial Statements to the board of trustees for approval.
- 1.2 Board staff, along with Partner Katie den Bok and Manager Deanna Baldwin, of the firm KPMG, presented to Audit Committee the draft Consolidated Financial Statements for the full year September 1, 2016 to August 31, 2017.

#### **2.0 Presentation and Reporting Framework**

- 2.1 The draft Consolidated Financial Statements for the full year September 1, 2016 to August 31, 2017 are included in this package for review by the Audit Committee. As well, the Audit Findings Report provided by KPMG is also attached.
- 2.2 The Consolidated Financial Statements present the financial position of the Board as at August 31, 2017.
- 2.3 The 2016/2017 Consolidated Financial Statements were prepared in accordance with the financial reporting framework as defined by the Ontario Government. School boards are required to follow Public Sector Accounting Standards (PSAB) with the exception of revenue recognition for capital contributions, where boards are required to adopt Ontario Regulation 395/11. A brief explanation of this reporting framework is outlined in *Note 1 (a) Significant Accounting Policies: Basis of accounting* of the Consolidated Financial Statements.

#### **3.0 Consolidated Financial Statements Changes**

- 3.1 Once again this year, the Consolidated Financial Statements do not have significant presentation changes. There were some minor edits throughout the Notes to the Consolidated Financial Statements, which are outlined in item 4.0. A summary of significant items impacting the figures are detailed below.

- 3.2 *Consolidated Statement of Financial Position:* During the fiscal year 2016/2017, the board disposed of both properties, Listowel Central Public School and Wallace Public School, reflected in the financial asset “Assets Held for Sale” as of August 31, 2016. There were no other properties considered to be financial in nature as of August 31, 2017 and thus a nil value is reported as Assets Held for Sale in the *Consolidated Statement of Financial Position*.
- 3.3 *Consolidated Statement of Operations and Accumulated Surplus:* The revenue and expense items reported in this schedule have been relatively in line with the expected figures for the 2016/2017 year. The material items of note are as follows:
- 3.3.1 In the revenue section, “Provincial Grants – student focused funding” is approximately \$567K less than expected due in most part to the fact that revenues were adjusted due to the timing of the transition of most employee groups to the new Provincial Benefits Trusts. This delay, which was Provincially mandated, meant that the Board’s revenues were reduced by \$421K while the benefits expense held stable.
- 3.3.2 Also in the revenue section, “Other Fees and Revenues” show a reduction of \$302K in comparison to the budget figure. This figure is impacted in part by the required accounting treatment of the disposal of the two school properties noted in item 3.2 above. An entry to reduce total government revenues was required for the land component of properties. This reduction in revenues accounts for approximately \$159K of the difference.
- 3.3.3 Impacting both the revenue and expense sections, School Generated Funds operating activity came in below the original estimates. School Generated Funds operating revenue was approximately \$523K less than planned, although capital fundraising, not included in the operating revenue figure, was approximately \$390K for the year. School Generated Funds operating expense was approximately \$420K less than planned, although capital spend, not included in the operating expense figure, was approximately \$441K for the year. *Note 6 Deferred Revenue* of the Notes to the Consolidated Financial Statements captures the School Generated Funds capital activity, while *Note 16 School Generated Funds* captures the School Generated Funds operating activity.
- 3.3.4 Another material difference in operating expenses can be observed in the “Pupil Accommodation” line, and is attributed primarily to the fluctuations in amortization expense for buildings. *Note 9 Expenses by Object* breaks out the amortization expense for ease of comparison. When comparing to the estimate for 2016/2017, the expense is down due to the estimated timing of capital project completion versus the actual timing. When comparing to the prior year, readers should recall that the 2015/2016 year included the write-down of the two properties transferred to Assets Held for Sale at August 31, 2016.
- 3.4 *Consolidated Statement of Cash Flow:* The figures in this schedule are impacted by the sale of the properties included in Assets Held for Sale at August 31, 2016, and by the capital activities changes in 2016/2017 year. This includes the change in amortization expense noted in 3.3.4, the increase in capital spend in the 2016/2017 year, and the fact that as of August 31, 2017, the Board does not have any assets deemed as ready for sale.

- 3.5 *Consolidated Statement of Change in Net Debt:* Similar to the Consolidated Statement of Cash Flow, this schedule shows that for 2016/2017, there were nil write-downs to tangible capital assets nor were there any new assets deemed Assets Held for Sale at the end of the fiscal year.

#### 4.0 Consolidated Financial Statement Notes

The notes are an integral part of the Consolidated Financial Statements and include information to provide more detail, clarify or explain the financial schedules. The modifications made to the notes for the current year include the following items:

- 4.1 *Note 1 Significant Accounting Policies item (h) Retirement and other employee future benefits* has been updated to disclose the transfer of some employee extended health and dental benefit plans to the provincial benefits trusts in the 2016/2017 year. The content of this note is as prescribed by the Ministry of Education (the "Ministry").
- 4.2 *Note 8 Benefit Plan Future Changes:* As prescribed by the Ministry, this note has been removed for the 2016/2017 year and the remaining notes renumbered.
- 4.3 *Note 11 Accumulated Surplus:* This note outlines the various accumulated surpluses and unfunded amounts that make up the total accumulated surplus figure of \$3,108,132 as of August 31, 2017. In addition to this note, *Appendix A: Details of Accumulated Surplus* is included as an attachment to provide a detailed listing of the various accumulated surplus values.
- 4.4 *Note 13 Commitments and Contingencies:* This note was updated to remove the schedule to show multiple future years, due to the fact that as of August 31, 2017, operating leases and capital commitments do not extend beyond the 2017/2018 year.

#### 5.0 Possible Action

- 5.1 The Audit Committee recommends that

the Avon Maitland District School Board approve the draft Consolidated Financial Statements for the period September 1, 2016 to August 31, 2017, as presented.

Respectfully Submitted:

Trustee Members:	Robert Hunking, Al Sygrove, Randy Wagler (AC Chair)
Community Members:	Ron Burt, Bob Pike
Admin Liaison:	Lisa Walsh (Director of Education and Secretary), Cheri Carter (Associate Superintendent of Financial Services and Treasurer), Sandra Hunt (Finance Manager – Reporting)

**AMDSB Details of Accumulated Surplus Balances  
In year transactions for the Fiscal Year: 2016/2017**

Appendix A

	Audited Opening Balance: Sept 1, 2016	Expected Net change in Surplus, in 2016/2017	Expected Closing Balance: Aug 31, 2017	Comments on 2016/2017 Activity
<b>Available for Compliance - Unappropriated</b>				
Operating Accumulated Surplus (Formerly called Working Funds)	4,268,247	(1,629,625)	2,638,622	<i>One-time additional costs in 16/17 due to Benefits Transition = \$898K. Projected use for 16/17 was \$1,520,780. Projected use for 17/18 \$370K</i>
<b>Available for Compliance - Internally Appropriated (restricted by board motion)</b>				
School Allocation Budgets	651,424	17,096	668,520	
Committed Capital Projects (funded from Surplus)	3,063,469	(132,884)	2,930,585	
<b>Other Purposes - Capital:</b>				
Minor Capital (for Schools)	-	-	-	
Accommodation/System Capital	1,922,002	-	1,922,002	<i>No further approved projects committed.</i>
	<u>5,636,895</u>	<u>(115,788)</u>	<u>5,521,107</u>	
<b>Total Accumulated Surplus, Available for Compliance</b>	<b><u>9,905,142</u></b>	<b><u>(1,745,413)</u></b>	<b><u>8,159,729</u></b>	
<b>Unavailable for Compliance</b>				
Employee Future Benefits - Retirement Gratuity	(12,240,900)	1,912,641	(10,328,259)	
Employee Future Benefits - Post Retirement Benefits	(731,590)	121,932	(609,658)	
Employee Future Benefits - Other	(903,296)	-	(903,296)	
Interest to be Accrued	(608,493)	19,591	(588,902)	
School Generated Funds	2,025,957	(103,558)	1,922,399	
Revenues recognized for land	5,544,946	(88,827)	5,456,119	
	<u>-</u>	<u>-</u>	<u>-</u>	
Total Externally Appropriated	<u>(6,913,376)</u>	<u>1,861,779</u>	<u>(5,051,597)</u>	
<b>Total Accumulated Surplus</b>	<b><u>2,991,766</u></b>	<b><u>116,366</u></b>	<b><u>3,108,132</u></b>	
<b>For Note Disclosure</b>				
	2016		2017	
<b>Surplus:</b>				
Operating Accumulated Surplus	4,268,247		2,638,622	
Amounts restricted for use by board motion	2,573,426		2,590,522	
School generated funds	2,025,957		1,922,399	
Net Investment in Tangible Capital Assets	8,608,415		8,386,704	
<b>Net Surplus</b>	<u>17,476,045</u>		<u>15,538,247</u>	
<b>Unfunded Amounts:</b>				
Employee Future Benefits	(13,875,786)		(11,841,213)	
Not Permanently Financed Amounts	(608,493)		(588,902)	
	<u>(14,484,279)</u>		<u>(12,430,115)</u>	
<b>Total Accumulated Surplus</b>	2,991,766		3,108,132	

Consolidated Financial Statements

**Avon Maitland District School Board**

August 31, 2017

DRAFT

## **Management's Responsibility for the Consolidated Financial Statements**

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

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

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.

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Lisa Walsh  
Director of Education  
and Secretary of the Board

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Cheri Carter  
Associate Superintendent of Financial  
Services and Treasurer

Date: November XX, 2017

# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Avon Maitland District School Board

We have audited the accompanying consolidated financial statements of Avon Maitland District School Board, which comprise the consolidated statement of financial position as at August 31, 2017, the consolidated statements of operations and accumulated surplus, cash flow and change in net debt for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

## *Management's Responsibility for the Consolidated Financial Statements*

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

## *Auditors' Responsibility*

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

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

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

### *Opinion*

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

### *Emphasis of Matter*

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

## **DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

November XX, 2017



**Avon Maitland District School Board  
Consolidated Statement of Financial Position**

As at August 31, 2017, with comparative information for 2016

	2017 \$	2016 \$
<b>FINANCIAL ASSETS</b>		
Cash ( <i>note 16</i> )	9,219,683	12,048,503
Accounts receivable	8,640,272	7,980,768
Accounts receivable, Province of Ontario	224,006	179,214
Accounts receivable, Province of Ontario – Capital debt grant ( <i>note 2</i> )	54,129,222	51,380,417
Investments ( <i>note 16</i> )	655	535
Assets held for sale ( <i>note 3</i> )	-	570,000
<b>Total financial assets</b>	<b>72,213,838</b>	<b>72,159,437</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	12,286,679	9,405,584
Long-term financing ( <i>note 5</i> )	45,532,596	47,206,022
Deferred revenue ( <i>note 6</i> )	5,460,164	4,906,998
Retirement and other employee future benefits payable ( <i>note 7</i> )	15,164,119	16,979,652
Deferred capital contributions ( <i>note 8</i> )	148,352,340	142,055,465
<b>Total financial liabilities</b>	<b>226,795,898</b>	<b>220,553,721</b>
<b>Net debt</b>	<b>(154,582,060)</b>	<b>(148,394,284)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	951,148	881,418
Tangible capital assets ( <i>note 10</i> )	156,739,044	150,504,632
<b>Total non-financial assets</b>	<b>157,690,192</b>	<b>151,386,050</b>
Commitments and contingencies ( <i>note 13</i> )		
<b>Accumulated surplus (<i>note 11</i>)</b>	<b>3,108,132</b>	<b>2,991,766</b>

See accompanying notes to consolidated financial statements

On behalf of the Board:

\_\_\_\_\_  
Director of Education

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Chair of the School Board

**Avon Maitland District School Board**  
**Consolidated Statement of Operations and Accumulated Surplus**

For the year ended August 31, 2017, with comparative information for 2016

	<b>2017</b>		<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	\$	\$	\$
<b>REVENUES</b>			
Provincial grants - student focused funding	186,089,216	185,481,773	185,822,765
Provincial grants - other	5,929,158	6,088,264	5,984,195
Federal grants and fees (Service Canada)	244,715	241,936	210,005
Other revenues - school boards	218,221	196,715	343,861
Other fees and revenues	3,110,990	2,819,929	3,366,218
Investment income	150,000	113,161	87,148
School generated funds (note 16)	6,166,000	5,643,251	5,429,564
<b>Total revenues</b>	<b>201,908,300</b>	<b>200,585,029</b>	<b>201,243,756</b>
<b>EXPENSES (note 9)</b>			
Instruction	151,968,686	151,332,302	151,367,928
Administration	5,439,940	5,568,951	5,335,818
Transportation	11,633,548	11,653,235	11,449,129
Pupil accommodation	26,135,685	25,800,196	26,643,988
Other	348,775	367,171	684,613
School generated funds activities (note 16)	6,166,000	5,746,808	5,460,135
<b>Total expenses</b>	<b>201,692,634</b>	<b>200,468,663</b>	<b>200,941,611</b>
<b>Annual surplus</b>	<b>215,666</b>	<b>116,366</b>	<b>302,145</b>
Accumulated surplus, opening	2,991,766	2,991,766	2,689,621
<b>Accumulated surplus, closing (note 11)</b>	<b>3,207,432</b>	<b>3,108,132</b>	<b>2,991,766</b>

See accompanying notes to consolidated financial statements

## Avon Maitland District School Board Consolidated Statement of Cash Flow

For the year ended August 31, 2017, with comparative information for 2016

	<b>2017</b>	<b>2016</b>
	\$	\$
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	116,366	302,145
Changes in non-cash items		
Amortization of tangible capital assets	8,999,644	8,515,541
Write-down of tangible capital assets	-	1,439,342
Transfer of tangible capital assets to assets held for sale	-	570,000
Revenue from deferred capital contributions	(8,866,760)	(9,244,185)
Changes in non-cash assets and liabilities		
Decrease (increase) in accounts receivable	(704,296)	850,558
Decrease (increase) in assets held for sale	570,000	(570,000)
Increase (decrease) in accounts payable and accrued liabilities	2,881,095	(1,981,479)
Increase (decrease) in deferred revenue – operating, net	943,509	(54,835)
Decrease in retirement and other employee future benefit payable	(1,815,533)	(1,707,638)
Increase in prepaid expenses	(69,730)	(277,733)
<b>Net increase (decrease) in cash from operations</b>	<b>2,054,295</b>	<b>(2,158,284)</b>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(15,234,056)	(14,370,230)
<b>Net decrease in cash from capital</b>	<b>(15,234,056)</b>	<b>(14,370,230)</b>
<b>INVESTING TRANSACTIONS</b>		
Cash provided by (applying to) investing transactions	(120)	22,971
<b>Net increase (decrease) in cash from investing</b>	<b>(120)</b>	<b>22,971</b>
<b>FINANCING TRANSACTIONS</b>		
Long-term financing issued	-	4,117,335
Long-term financing repayments	(1,673,426)	(1,494,514)
Decrease (Increase) in accounts receivable – capital	(2,748,805)	2,728,079
Additions to deferred capital contributions, net of transfers to deferred revenue	15,163,635	12,642,493
Decrease in deferred revenue – capital, net	(390,343)	(81,469)
<b>Cash provided by financing transactions</b>	<b>10,351,061</b>	<b>17,911,924</b>
<b>Change in Cash</b>	<b>(2,828,820)</b>	<b>1,406,381</b>
Cash opening	12,048,503	10,642,122
<b>Cash closing</b>	<b>9,219,683</b>	<b>12,048,503</b>

*See accompanying notes to consolidated financial statements*

**Avon Maitland District School Board  
Consolidated Statement of Change in Net Debt**

For the year ended August 31, 2017, with comparative information for 2016

	<b>2017</b>	<b>2016</b>
	\$	\$
Annual surplus	116,366	302,145
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of tangible capital assets	(15,234,056)	(14,370,230)
Amortization of tangible capital assets	8,999,644	8,515,541
Transfer to assets held for sale	-	570,000
Write-down on tangible capital assets	-	1,439,342
<b>Total tangible capital assets activity</b>	<b>(6,234,412)</b>	<b>(3,845,347)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Acquisition of prepaid expenses	(951,148)	(881,418)
Use of prepaid expenses	881,418	603,685
<b>Total other non-financial asset activity</b>	<b>(69,730)</b>	<b>(277,733)</b>
<b>Increase in net debt</b>	<b>(6,187,776)</b>	<b>(3,820,935)</b>
Net debt, opening	(148,394,284)	(144,573,349)
<b>Net debt, closing</b>	<b>(154,582,060)</b>	<b>(148,394,284)</b>

*See accompanying notes to consolidated financial statements*

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements for the Avon Maitland District School Board (the "Board") have been prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

#### (a) Basis of accounting

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

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario (Province). 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 Consolidated Statement of Operations and Accumulated Deficit over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

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

# **Avon Maitland District School Board**

## **Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

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### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(a) Basis of Accounting (continued)**

As a result, revenue recognized in the Consolidated 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.

#### **(b) Reporting entity**

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

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are deemed to be controlled by the Board are reflected in the consolidated financial statements as are the pro-rata assets, liabilities, revenues and expenses of the Huron Perth Student Transportation Services ("HPSTS") transportation consortium.

#### **(c) Trust funds**

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

#### **(d) Cash and cash equivalents**

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

#### **(e) Investments**

Temporary investments are carried on the Consolidated Statement of Financial Position at the lower of cost or market value while long-term investments are recorded at cost, and assessed regularly for permanent impairment.

#### **(f) Deferred revenue**

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

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Deferred capital contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

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

#### (h) Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental and life insurance, retirement gratuity, compensated absences and workers' compensation 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 2016-17: ETFO and OSSTF. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining employee groups, school board trustees associations and the Government of Ontario. Starting April 1, 2017, the Board is no longer responsible to provide certain benefits to Elementary and Secondary teachers, and support staff that fall within the OSSTF bargaining unit. Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups: Principals and Vice-Principals, Non-Union Management and Support and Custodians and Maintenance staff. The Board continues to have a liability for payment of benefits under these plans.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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

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

For self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined contribution pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period incurred.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

#### (i) Tangible capital assets

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

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



# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<b>Asset</b>	<b>Estimated useful life</b>
Buildings	40 years
Portable structures	20 years
Land improvements with finite lives	15 years
Leasehold improvements	Term of lease
Furniture	10 years
First time equipping	10 years
Equipment	5 – 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 – 10 years

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

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

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

#### (j) Government transfers

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

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

#### (k) Investment income

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

# **Avon Maitland District School Board**

## **Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

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### **1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **(l) Budget figures**

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

#### **(m) Use of estimates**

The preparation of consolidated financial statements, in conformity with the basis of accounting described in note 1(a), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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. Significant items subject to such estimates and assumptions include the recorded value of tangible capital assets, retirement and other employee future benefits payable, and accrued liabilities. Actual results could differ from these estimates.

#### **(n) Property tax revenue**

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the taxation revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property taxation revenue received by the Board from the municipalities is recorded as part of Provincial Legislative Grants and not property taxation revenue.

### **2. ACCOUNTS RECEIVABLE – PROVINCE OF ONTARIO**

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

The Board has an account receivable from the Province of Ontario of \$54,129,222 (2016 - \$51,380,417) as at August 31, 2017 with respect to capital grants.

## Avon Maitland District School Board Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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### 3. ASSETS HELD FOR SALE

As of August 31, 2017, assets held for sale consisted of Nil (2016 – \$407,755) related to buildings, Nil (2016 – \$2,997) related to land improvements and Nil (2016 – \$159,248) related to land.

During the year, two school properties were sold, and there were no properties reclassified as assets held for sale.

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	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	570,000	-
Transfer to Assets Held for Sale in year	-	570,000
Less: Proceeds on assets sold in year	(558,420)	-
Less: Loss on disposal of assets sold in year	(11,580)	-
<b>Balance, end of year</b>	<b>-</b>	<b>570,000</b>

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### 4. BANK INDEBTEDNESS

The Board has a \$20,000,000 unsecured operating line of credit available bearing interest of the prime rate minus 0.65%, of which Nil (2016 – Nil) was drawn at August 31, 2017.

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

**5. LONG-TERM FINANCING**

Long-term financing reported on the Consolidated Statement of Financial Position are comprised of the following:

	<b>2017</b>	<b>2016</b>
	\$	\$
Capital loan for Good Places to Learn Stage 1, interest rate of 4.56% with a 25 year term, maturing November 15, 2031	11,171,320	11,705,036
Capital loan for Good Places to Learn Stage 2, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	5,531,114	5,758,741
Capital loan for Good Places to Learn Stage 3, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	2,996,930	3,107,748
Capital loan for Good Places to Learn Stage 4, interest rate of 5.23% with a 25 year term, maturing April 13, 2035	3,271,677	3,379,905
Capital loan for Primary Class Size, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	1,206,579	1,256,234
Capital loan for Primary Class Size, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	219,463	227,578
Capital loan for Good Places to Learn Stage 4 and Prohibitive to Repair Projects interest rate of 4.83% with a 25 year term, maturing March 11, 2036	2,357,424	2,432,897
Capital loan for Prohibitive to Repair Projects – Little Falls interest rate of 3.97% with a 25 year term, maturing November 15, 2036	6,192,291	6,399,433
Capital loan for Capital Priorities Projects – Maitland River interest rate of 4.003% with a 25 year term, maturing March 11, 2039	8,578,565	8,821,115
Capital loan for New Pupil Places Project – Listowel District Secondary School interest rate of 3.242% with a 25 year term maturing March 15, 2041	4,007,233	4,117,335
<b>Total long-term financing</b>	<b>45,532,596</b>	<b>47,206,022</b>

## Avon Maitland District School Board Notes to Consolidated Financial Statements

For the year ended August 31, 2017

### 5. LONG-TERM FINANCING (Continued)

Capital loan payments due over the term of the loan are as follows:

	Principal \$	Interest \$	Total \$
2018	1,749,029	1,975,396	3,724,425
2019	1,828,093	1,896,771	3,724,864
2020	1,910,780	1,814,645	3,725,425
2021	1,997,256	1,728,548	3,725,804
2022	2,087,699	1,638,610	3,726,309
Thereafter	35,959,739	11,618,410	47,578,149
	45,532,596	20,672,380	66,204,976

During the year ended August 31, 2017, the Board made payments of \$3,736,333 (2016 - \$3,515,574), of which \$1,673,426 (2016 - \$1,494,514) is principal, in respect to these capital loans.

The Board has a \$3,000,000 leasing facility available of which Nil (2016 - Nil) was drawn, against which specific assets were pledged as collateral.

### 6. DEFERRED REVENUE

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreements are included in deferred revenues and reported on the Consolidated Statement of Financial Position. Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2017 is comprised of:

	Balance at August 31, 2016 \$	Externally restricted funds received \$	Revenue recognized in year \$	Transfers to deferred capital contributions \$	Balance at August 31, 2017 \$
<b>Operating deferred revenue:</b>					
Ministry of Education	215,741	1,946,136	(1,999,749)	-	162,128
Other Provincial Ministries	212,240	4,094,097	(3,745,237)	-	561,100
International Education					
Amounts	1,598,792	2,410,970	(1,765,612)	-	2,244,150
Other	108,770	772,496	(769,592)	-	111,674
<b>Total operating deferred revenue</b>	2,135,543	9,223,699	(8,280,190)	-	3,079,052
<b>Capital deferred revenue:</b>					
Assets held for sale	410,752	(410,752)	-	-	-
Childcare retrofit grant	673,040	-	-	(13,735)	659,305
Proceeds on disposition of facilities	606,623	558,420	-	-	1,165,043
School renewal	871,951	3,524,094	(256,983)	(3,739,992)	399,070
School fundraising	209,089	389,718	-	(441,113)	157,694
<b>Total capital deferred revenue</b>	2,771,455	4,061,480	(256,983)	(4,194,840)	2,381,112
<b>Total deferred revenue</b>	4,906,998	13,285,179	(8,537,173)	(4,194,840)	5,460,164

## Avon Maitland District School Board Notes to Consolidated Financial Statements

For the year ended August 31, 2017

### 7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS PAYABLE

Retirement and other employee future benefit liabilities as of August 31, 2017 consist of the following:

	2017			2016	
	Retirement gratuities \$	Post retirement benefits \$	Other employee future benefits \$	Total employee future benefits \$	Total employee future benefits \$
Accrued employee future benefit obligations	14,294,254	841,421	1,444,109	16,579,784	19,108,154
Unamortized actuarial losses	(1,415,665)	-	-	(1,415,665)	(2,128,502)
Employee future benefits liability as of August 31	12,878,589	841,421	1,444,109	15,164,119	16,979,652

Retirement and other employee future benefit expenses included in total expenditures consist of the following:

	2017			2016	
	Retirement gratuities \$	Post retirement benefits \$	Other employee future benefits \$	Total employee future benefits \$	Total employee future benefits \$
Current year benefit cost	-	-	369,276	369,276	820,311
Interest on accrued benefit obligation	317,358	20,402	27,282	365,042	465,971
Recognized actuarial losses (gains)	240,910	(9,707)	4,935	236,138	873,238
Plan amendment gain	-	-	-	-	(316,530)
Current year expense	558,268	10,695	401,493	970,456	1,842,990
Total payments made during the year	2,064,112	329,026	392,851	2,785,989	3,550,628

#### (a) Retirement benefits

The Board provides retirement benefits to employees as follows:

##### (i) Ontario Teacher's Pension Plan

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

# **Avon Maitland District School Board**

## **Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

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### **7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS PAYABLE (Continued)**

#### (ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employee contribution rates were up to 14.6% of earnings for the period. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2017, the Board contributed \$2,416,363 (2016 - \$2,339,614) 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.

#### (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 at August 31, 2012.

#### (iv) Post-retirement life insurance and health care benefits

The Board sponsors a separate plan for retirees to provide group health care and dental benefits. 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 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.

**Avon Maitland District School Board  
Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

**7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS PAYABLE (Continued)**

**(b) Other employee future benefits**

(i) Workplace Safety and Insurance Board obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act (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 related benefit costs and liabilities are included in the Board's consolidated financial statements. School Boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision. The total amount of the unfunded liability as of August 31, 2017 is \$1,347,821 (2016 - \$1,341,150). This amount has been actuarially determined.

(ii) 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 benefits cost expensed in the financial statements are \$101,223 (2016 - \$134,459). The total amount of the liability as of August 31, 2017 is \$96,288 (2016 - \$94,317).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2017 and is based on the average daily salary and banked sick days of employees as at August 31, 2017.

**(c) Valuation assumptions**

The accrued benefit obligations for retirement benefits, post-retirement life insurance, health care benefits, Workplace Safety and Insurance Board and compensated absences obligations are based on actuarial valuations for accounting purposes as at August 31, 2017. These actuarial valuations were based on assumptions about future events. The economic assumptions, where applicable, used in these valuations are the Board's best estimates of expected rates of:

	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Inflation	1.5	1.5
Wage and salary escalation, retirement gratuities and post-retirement benefits	Nil	Nil
Wage and salary escalation, other employee future benefits	2.00	2.00
Insurance and health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 4%	7.75	8.00
Dental health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 3%	3.75	4.00
Discount on accrued benefit obligations	2.55	2.05



**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

**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 over the life of the asset acquired.

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	142,055,465	138,657,157
Additions to deferred capital contributions	15,163,635	13,053,245
Revenue recognized in the period for deferred capital contributions amortization	(8,866,760)	(9,244,185)
Transfer to deferred revenue	-	(410,752)
<b>Balance, end of year</b>	<b>148,352,340</b>	<b>142,055,465</b>

**9. EXPENSES BY OBJECT**

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

	<b>2017</b>		<b>2016</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Expense			
Salary and wages	132,635,074	132,131,931	131,576,874
Employee benefits, operating	19,655,932	19,735,748	19,005,544
Staff development	861,190	1,050,405	992,267
Supplies and services	13,911,233	14,152,995	15,153,293
Interest	2,062,907	2,043,316	2,041,119
Rental expenditures	347,079	340,663	346,798
Fees and contract services	16,292,729	15,842,071	15,638,391
Other	432,808	413,502	772,307
Amortization of tangible capital assets	9,327,682	8,999,644	9,954,883
Loss on disposal	-	11,580	-
School funded activities	6,166,000	5,746,808	5,460,135
	<b>201,692,634</b>	<b>200,468,663</b>	<b>200,941,611</b>

**Avon Maitland District School Board  
Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

**10. TANGIBLE CAPITAL ASSETS**

The net book value of tangible capital assets, as of August 31 is as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Buildings (40 Years)	139,587,376	134,249,944
Buildings (20 Years)	106,036	112,904
Construction in progress	-	-
Portable structures	630,878	675,796
Land	5,456,119	5,385,698
Land improvements	4,989,770	3,808,311
Furniture	736,582	725,496
First time equipping	1,122,689	1,200,492
Equipment	855,268	874,964
Computer hardware	2,987,257	3,147,370
Computer software	153,033	202,102
Vehicles	113,197	115,687
Leasehold improvements	839	5,868
	<b>156,739,044</b>	<b>150,504,632</b>

<b>Gross book value</b>	<b>Balance at Aug 31/16 \$</b>	<b>Additions to Aug 31/17 \$</b>	<b>Disposals/ write-downs to Aug 31/17 \$</b>	<b>Transfer to assets held for Sale Aug 31/17 \$</b>	<b>Balance at Aug 31/17 \$</b>
Buildings (40 Years)	206,164,766	12,096,518	-	-	218,261,284
Buildings (20 Years)	137,306	-	-	-	137,306
Construction in progress	-	-	-	-	-
Portable structures	899,226	-	-	-	899,226
Land	5,385,698	70,421	-	-	5,456,119
Land improvements	6,623,337	1,640,972	-	-	8,264,309
Furniture	1,196,913	147,721	(73,116)	-	1,271,518
First time equipping	1,602,211	86,425	(6,296)	-	1,682,340
Equipment	1,501,626	141,310	(104,906)	-	1,538,030
Computer hardware	5,641,838	969,003	(665,670)	-	5,945,171
Computer software	606,634	48,379	(326,113)	-	328,900
Vehicles	359,291	33,307	(25,332)	-	367,266
Leasehold improvements	42,866	-	-	-	42,866
	<b>230,161,712</b>	<b>15,234,056</b>	<b>(1,201,433)</b>	<b>-</b>	<b>244,194,335</b>

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

**10. TANGIBLE CAPITAL ASSETS (Continued)**

Accumulated amortization	Balance at Aug 31/16 \$	Additions to Aug 31/17 \$	Disposals/write-downs to Aug 31/17 \$	Transfer to assets held for sale Aug 31/17 \$	Balance at Aug 31/17 \$
Buildings (40 Years)	(71,914,822)	(6,759,086)	-	-	(78,673,908)
Buildings (20 Years)	(24,402)	(6,868)	-	-	(31,270)
Construction in progress	-	-	-	-	-
Portable structures	(223,430)	(44,918)	-	-	(268,348)
Land	-	-	-	-	-
Land improvements	(2,815,026)	(459,513)	-	-	(3,274,539)
Furniture	(471,417)	(136,635)	73,116	-	(534,936)
First time equipping	(401,719)	(164,228)	6,296	-	(559,651)
Equipment	(626,662)	(161,006)	104,906	-	(682,762)
Computer hardware	(2,494,468)	(1,129,116)	665,670	-	(2,957,914)
Computer software	(404,532)	(97,448)	326,113	-	(175,867)
Vehicles	(243,604)	(35,797)	25,332	-	(254,069)
Leasehold improvements	(36,998)	(5,029)	-	-	(42,027)
	(79,657,080)	(8,999,644)	1,201,433	-	(87,455,291)

**a) Assets under construction**

Assets under construction having a value of Nil (2016 - Nil) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

**b) Write-down of Tangible Capital Assets**

The write-down of tangible capital assets during the year was Nil (2016 - \$1,439,342).

**11. ACCUMULATED SURPLUS**

The accumulated surplus consists of the following:

	2017 \$	2016 \$
<b>Surplus:</b>		
Operating accumulated surplus	2,638,622	4,268,247
Amounts restricted for future use by board motion	2,590,522	2,573,426
School generated funds	1,922,399	2,025,957
Net investment in tangible capital assets	8,386,704	8,608,415
Total surplus amounts	15,538,247	17,476,045
<b>Unfunded amounts:</b>		
Employee benefits	(11,841,213)	(13,875,786)
Not permanently financed amounts	(588,902)	(608,493)
Total unfunded amounts	(12,430,115)	(14,484,279)
<b>Total surplus</b>	<b>3,108,132</b>	<b>2,991,766</b>

## Avon Maitland District School Board Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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### 12. TRUST FUNDS

The General Student Awards Trust Fund represents accumulated donations received by the Board from individual, corporate and institutional sources. These funds are used to provide various scholarships, bursaries and awards to students in Avon Maitland area schools and to assist with other educational projects not funded by the Board. Activity of the General Student Awards Trust Fund is summarized in the following table:

<b>General Student Awards Trust Fund</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Balance, opening</b>	2,124,331	2,168,670
Add		
Trust funds received in year	128,753	80,874
Investment income	37,052	31,415
	2,290,136	2,280,959
Deduct awards	(138,963)	(156,628)
<b>Balance, closing</b>	<b>2,151,173</b>	<b>2,124,331</b>

Trust fund investments, which consist of guaranteed investment certificates, and cash deposits are recorded at cost which equals fair value. The guaranteed investment certificates mature on or before September 2, 2019 and yield between 0.975% and 2.0%. The cash deposits were earning 1.2% at August 31, 2017.

The Teacher Funded Leave Plan is a self-funded program for participating teachers. A portion of the teacher's salary is held in trust, to be paid in the year of leave. The teachers are credited with interest income from the trust funds annually, prior to the year-end. The balance of the Teacher Funded Leave Plan at August 31, 2017 was \$1,197,523 (2016 - \$1,269,512).

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

For the year ended August 31, 2017

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### 13. COMMITMENTS AND CONTINGENCIES

The Board is a member of the Ontario School Board Insurance Exchange ("OSBIE") for a period, which ends December 31, 2017. OSBIE is a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Members are assessed premiums on an annual basis and should premiums collected not be sufficient to cover actual losses incurred, an additional assessment may be levied. The occurrence of future losses and their impact on future premiums is not determinable.

The Board is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Board believes it has valid defenses. In Administration's judgment, no material exposure exists on the eventual settlement of such litigation, and accordingly, no provision has been made in the accompanying consolidated financial statements.

The Board has commitments with respect to operating leases for buildings, capital purchases and other amounts. The total payable with respect to these commitments during the upcoming year is \$1,732,511 for capital projects and \$196,532 for operating leases.

### 14. TRANSPORTATION CONSORTIA

Transportation services for the Board are provided in partnership with the Huron-Perth Catholic District School, by the Consortia Huron Perth Student Transportation Services ("HPSTS"). Under the formal agreement, decisions related to the financial and operating activities of the Consortia are shared, with no partner exercising unilateral control. Direct costs incurred by the Board are paid directly while the shared costs for the administration of HPSTS are pro-rated based on student rider-ship as outlined in the agreement.

The Board's total transportation revenues for the period ending August 31, 2017 was \$11,628,095 (2016 - \$11,488,441), the Board's non-administration expenses totaled \$11,247,131 (2016 - \$11,042,926) and the Board's receivable at August 31, 2017 was \$61,002 (2016 - \$131,622).

	2017		2016	
	Total \$	Board portion \$	Total \$	Board portion \$
Administration expenses	540,069	406,104	559,364	406,203

**Avon Maitland District School Board  
Notes to Consolidated Financial Statements**

For the year ended August 31, 2017

**15. REPAYMENT OF “55 SCHOOL BOARD TRUST” FUNDING**

On June 1, 2003, the Board received \$2,908,000 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

**16. SCHOOL GENERATED FUNDS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
School fundraising		
Elementary	3,345,606	3,315,527
Secondary	2,297,645	2,114,037
<b>Total revenues</b>	<b>5,643,251</b>	<b>5,429,564</b>
<b>EXPENSES</b>		
School funded activities		
Elementary	3,374,002	3,231,773
Secondary	2,372,806	2,228,362
<b>Total expenses</b>	<b>5,746,808</b>	<b>5,460,135</b>
<b>Net revenue</b>	<b>(103,557)</b>	<b>(30,571)</b>
School activities fund, opening	2,025,957	2,056,528
<b>School activities fund, closing</b>	<b>1,922,400</b>	<b>2,025,957</b>

This amount is included in cash and investments on the Consolidated Statement of Financial Position.



# Avon Maitland District School Board

**Audit Findings Report  
For the year ended August 31, 2017**

*KPMG LLP*

Prepared as of November 6, 2017 for presentation on November 14, 2017

[kpmg.ca/audit](http://kpmg.ca/audit)



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# Executive summary

## Purpose of this report\*

The purpose of this Audit Findings Report is to assist you, as a member of the Audit Committee, in your review of the results of our audit of the financial statements of Avon Maitland District School Board ("AMDSB") as at and for the year ended August 31, 2017.

This Audit Findings Report builds on the Audit Plan we presented to the Audit Committee on June 20, 2017.

## Changes from the Audit Plan

There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.

## Audit risks and results

We discussed with you as part of our audit plan the presumed significant risk of fraud relating to management override of controls.

We are satisfied that our audit work has appropriately dealt with this risk.

We also discussed with you some other areas of audit focus. We have no significant matters to report to the Audit Committee in respect of them.

*See page 6*

## Adjustments and differences

We did not identify any differences that remain uncorrected.

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

\*This Audit Findings Report should not be used for any other purpose or by anyone other than the Audit Committee. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this Audit Findings Report has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

# Executive summary

## Finalizing the audit

As of November 6, 2017, we have completed the audit of the financial statements, with the exception of certain remaining procedures, which include amongst others:

- obtaining response to our external legal letter from Hicks, Morley, Hamilton Stewart Storie LLP;
- obtaining the signed management representation letter, which management has indicated that they are prepared to sign;
- completing our discussions with the Audit Committee;
- obtaining evidence of the Board's approval of the financial statements.

We will update the Audit Committee, and not solely the Chair (as required by professional standards),

on significant matters, *if any*, arising from the completion of the audit, including the completion of the above procedures. Our auditors' report will be dated upon the completion of any remaining procedures.

## Control and other observations

We did not identify any control deficiencies that we determined to be significant deficiencies in internal controls over financial reporting.

## Independence

We confirm that we are independent with respect to AMDSB, within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any other standards or applicable legislation or regulation.

## Critical accounting estimates

Overall, we are satisfied with the reasonability of critical accounting estimates.

The critical areas of estimates relate to:

- retirement and other employee future benefits payable;
- accrued liabilities
- reported amount of tangible capital assets

*See page 8.*

## Significant accounting policies and practices

There have been no initial selections of, or changes to, significant accounting policies and practices to bring to your attention.

# How we deliver audit quality



# Audit risks and results

We identified other areas of focus for our audit in our discussion with you in the Audit Plan

Significant findings from the audit regarding other areas of focus are as follows:

Other areas of focus	Our response and significant findings
Government Grants and Deferred Contributions	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> <li>We have completed substantive audit procedures to address the relevant assertions, including confirming the grant funding with the province and performing cut-off testing over revenue and receivables.</li> </ul> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>No significant findings were noted.</li> </ul>
Tangible Capital Assets and Deferred Capital Contributions	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> <li>We have performed substantive testing over capital additions, including the determination of when capital expenditures are transferred from capital in progress and amortization begins.</li> <li>We have also reviewed management’s determination of the useful lives of capital assets and the related amortization rates and evaluated the recognition of any amounts of deferred revenue for capital expenditures to ensure that recognition is appropriate.</li> </ul> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>No significant findings were noted.</li> </ul>
Employee Future Benefits	<p><i>Audit Approach</i></p> <ul style="list-style-type: none"> <li>We performed substantive procedures, including review and application of assumptions as well as the use of management’s expert – School Boards’ Co-Operative Inc. (“SBCI”).</li> <li>We performed procedures to gain assurance that disclosures are in compliance with PSAS.</li> </ul> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>No significant findings were noted.</li> </ul>
Salaries and Benefits	<ul style="list-style-type: none"> <li>We have performed substantive procedures over salaries and benefits expense.</li> </ul> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>No significant findings were noted.</li> </ul>

# Audit risks and results (continued)

Other areas of focus	Our response and significant findings
Related Parties	<ul style="list-style-type: none"> <li>• We have discussed the implications of the two new standards: PS2200 Related Party Disclosures and PS3420 Inter-entity Transactions which will become effective for fiscal years beginning on or after April 1, 2017 with Management.</li> <li>• We will continue to provide guidance to Management with respect to implementation of the new standards.</li> </ul> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>• No implications regarding the current year audit.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• We reviewed the findings included in the internal audit report prepared by PwC over Student Supervision.</li> </ul> <p><i>Findings</i></p> <ul style="list-style-type: none"> <li>• The results of the internal audit report did not have an impact on our audit approach.</li> </ul>

# Accounting estimates

Under generally accepted accounting principles, management is required to disclose information in the financial statements about the assumptions it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to carrying amounts of assets and liabilities within the next financial year. Generally, these are considered to be “critical accounting estimates.”

Asset / liability	KPMG comment
Retirement and other employee future benefits payable	<ul style="list-style-type: none"> <li>• The liability for post-retirement benefits has been determined by an actuarial valuation performed by SBCI. In the prior year, SBCI completed a full valuation, which is required every three years.</li> <li>• We obtained the SBCI report determining the estimated liability at August 31, 2017, and agreed the details to the financial statements.</li> <li>• We examined the discount rate of 2.55% (2016 – 2.05%) and compared it to the rate used at other school boards across Ontario to conclude that the rate utilized is reasonable for determining the liability.</li> </ul>
Accrued liabilities	<ul style="list-style-type: none"> <li>• Management accrues estimates for liabilities that have been incurred at year end, but not yet paid, within accounts payable and accrued liabilities in the financial statements.</li> <li>• We obtained an understanding of the calculation through discussions with Management and obtained corroborative evidence to support assumptions.</li> </ul>
Recorded value of tangible capital assets	<ul style="list-style-type: none"> <li>• Management records amortization expense based on the estimated useful life of the asset. Estimated useful lives are disclosed in note 1(j) Tangible capital assets.</li> <li>• We recalculated amortization expense. The assumptions used by Management in the calculation are considered reasonable based on the audit evidence obtained and are consistent with the rates prescribed by the Ministry of Education. There has been no change to amortization rates in the current year.</li> </ul>

We believe management's process for identifying critical accounting estimates is considered adequate.

# Data & Analytics in the audit

We have utilized Data & Analytics (D&A) in order to enhance the quality and effectiveness of the audit.

We have summarized areas of the audit where D&A tools and routines were used.

Area of focus	D&A tools and routines	Our results
Journal Entry Testing	<ul style="list-style-type: none"> <li>We utilized KPMG application software (IDEA) to evaluate the completeness of the journal entry population through a roll-forward of 100% of the accounts.</li> </ul>	<ul style="list-style-type: none"> <li>No discrepancies noted.</li> </ul>

# Financial statement presentation and disclosure

The presentation and disclosure of the financial statements are, in all material respects, in accordance with the AMDSB's relevant financial reporting framework. Misstatements, including omissions, if any, related to disclosure or presentation items are in the management representation letter included in the Appendices.

We also highlight the following:

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<b>Form, arrangement, and content of the financial statements</b>	Adequate
<b>Application of accounting pronouncements issued but not yet effective</b>	No concerns at this time regarding future implementation

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# Adjustments and differences

Adjustments and differences identified during the audit have been categorized as “Corrected adjustments” or “Uncorrected differences”. These include disclosure adjustments and differences.

Professional standards require that we request of management and the Audit Committee that all identified differences be corrected. We have already made this request of management.

## Corrected adjustments

We did not identify any adjustments that were communicated to management and subsequently corrected in the financial statements.

## Uncorrected differences

We did not identify differences that remain uncorrected.

# Control observations

In accordance with professional standards, we are required to communicate to the Audit Committee any control deficiencies that we identified during the audit and have determined to be significant deficiencies in internal controls over financial reporting.

## Significant deficiencies

No significant deficiencies came to our attention.

# Appendices

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**Appendix 1: Required communications**

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**Appendix 2: Auditor's report**

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**Appendix 3: Management representation letter**

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**Appendix 4: Value for fees**

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**Appendix 5: Audit Quality and Risk Management**

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**Appendix 6: Background and professional standards**

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**Appendix 7: Lean in Audit™**

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**Appendix 8: Data & Analytics in the Audit**

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# Appendix 1: Required communications

In accordance with professional standards, there are a number of communications that are required during the course of and upon completion of our audit. These include:

- **Auditors' report** – the conclusion of our audit is set out in our draft auditors' report as attached.
- **Management representation letter** – In accordance with professional standards, copies of the management representation letter are provided to the Audit Committee. The management representation letter is attached.

# Appendix 2: Auditor's report

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Avon Maitland District School Board

We have audited the accompanying consolidated financial statements of Avon Maitland District School Board, which comprise the consolidated statement of financial position as at August 31, 2017, the consolidated statement of operations and accumulated surplus, cash flows and change in net debt for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

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

### *Emphasis of Matter*

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

## **DRAFT**

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

November XX, 2017

# Appendix 3: Management representation letter



KPMG LLP  
1400-140 Fullarton Street  
London, Ontario N6A 5P2

November xx, 2017

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion on the consolidated financial statements (hereinafter referred to as “financial statements”) of Avon Maitland District School Board (“the Entity”) as at and for the period ended August 31, 2017.

*General:*

We confirm that the representations we make in this letter are in accordance with the definitions as set out in [Attachment I](#) to this letter.

We also confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

*Responsibilities:*

- 1) We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated June 9, 2015 and amended June 1, 2016 including for:
  - a) the preparation and fair presentation of the financial statements and believe that these financial statements have been prepared and present fairly in accordance with the relevant financial reporting framework.
  - b) providing you with all information of which we are aware that is relevant to the preparation of the financial statements, such as all financial records and documentation and other matters, including (i) the names of all related parties and information regarding all relationships and transactions with related parties; and (ii) the complete minutes of meetings, or summaries of actions of recent meetings for which minutes have not yet been prepared, of shareholders, board of directors and committees of the board of directors that may affect the financial statements, and providing you with access to such relevant information. All significant board and committee actions are included in the summaries.
  - c) providing you with additional information that you may request from us for the purpose of the engagement.
  - d) providing you with unrestricted access to persons within the Entity from whom you determined it necessary to obtain audit evidence.
  - e) such internal control as we determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or

error. We also acknowledge and understand that we are responsible for the design, implementation and maintenance of internal control to prevent and detect fraud.

- f) ensuring that all transactions have been recorded in the accounting records and are reflected in the financial statements.
- g) providing you with written representations that you are required to obtain under your professional standards and written representations that you determined are necessary.
- h) Ensuring that internal auditors providing direct assistance to you, if any, were instructed to follow your instructions and that management, and others within the entity, did not intervene in the work the internal auditors performed for you.

*Internal control over financial reporting:*

- 2) We have communicated to you all deficiencies in the design and implementation or maintenance of internal control over financial reporting of which we are aware.

*Fraud & non-compliance with laws and regulations:*

- 3) We have disclosed to you:
  - a) the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
  - b) all information in relation to fraud or suspected fraud that we are aware of and that affects the financial statements and involves: management, employees who have significant roles in internal control over financial reporting, or others, where the fraud could have a material effect on the financial statements.
  - c) all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators, or others.
  - d) all known instances of non-compliance or suspected non-compliance with laws and regulations, including all aspects of contractual agreements, whose effects should be considered when preparing financial statements.
  - e) all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

*Subsequent events:*

- 4) All events subsequent to the date of the financial statements and for which the relevant financial reporting framework requires adjustment or disclosure in the financial statements have been adjusted or disclosed.

*Related parties:*

- 5) We have disclosed to you the identity of the Entity's related parties.
- 6) We have disclosed to you all the related party relationships and transactions/balances of which we are aware.

- 7) All related party relationships and transactions/balances have been appropriately accounted for and disclosed in accordance with the relevant financial reporting framework.

*Employee Future Benefits:*

- 8) The employee future benefits costs, assets and obligation, if any, have been determined, accounted for and disclosed in accordance with the financial reporting framework.
- 9) All arrangements (contractual or otherwise) by which programs have been established to provide employee benefits, which include post-employment benefits, and that are funded or unfunded have been disclosed to you and included in the determination of pension costs and obligations.
- 10) The set of actuarial assumptions for each plan is individually consistent.
- 11) The assumptions included in the actuarial valuation are those that management instructed *School Boards' Co-Operative Inc. (SBCI)* to use in computing amounts to be used by the Entity in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with the relevant financial reporting framework.
- 12) In arriving at these assumptions, management has obtained the advice of *SBCI*, but has retained the final responsibility for them.
- 13) The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- 14) All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.
- 15) The extrapolations are accurate and properly reflect the effects of changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.
- 16) All material events and changes to the plan subsequent to the most recent actuarial valuation have been properly reflected in the extrapolation.

*Estimates:*

- 17) Measurement methods and significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

*Going concern:*

- 18) We have provided you with all information relevant to the use of the going concern assumption in the financial statements.
- 19) We confirm that we are not aware of material uncertainties related to events or conditions that may cast doubt upon the Entity's ability to continue as a going concern.

*Non-SEC registrants or non-reporting issuers:*

- 20) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

Yours very truly,

---

Lisa Walsh, Director of Education and Secretary of the Board

---

Cheri Carter, Associate Superintendent of Financial Services and Treasurer

I have the recognized authority to take, and assert that I have taken responsibility for the financial statements.

cc: Audit Committee

## ***Attachment I – Definitions***

### *Materiality*

Certain representations in this letter are described as being limited to matters that are material. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both.

### *Fraud & error*

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorization.

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

### *Related parties*

In accordance with Canadian Accounting Standards for the public sector, a *related party* is defined as:

- when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. Two not-for-profit organizations are related parties if one has an economic interest in the other. Related parties also include management and immediate family members.

In accordance with Canadian Accounting Standards for the public sector a *related party transaction* is defined as:

- a transfer of economic resources or obligations between related parties, or the provision of service by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

# Appendix 4: Value for fees

## The Value of our Audit Services

We recognize that the primary objective of our engagement is the completion of the audit of the financial statements in accordance with professional standards. We also believe that our role as external auditor of the Board and the access to information and people in conjunction with our audit procedures, place us in a position to provide other forms of value. **We know that you expect this of us.**

Over the past several years, KPMG has delivered value to the Board over and above the financial statement audit, including the following:

- Lean In Audit – KPMG will be providing a 1 day session to the Board in January 2018 to walk through two of the Board’s significant processes and provide commentary on process improvements – see appendix 7 for more details on Lean In Audit.
- Access to regular webinars and seminars for relevant topics, most recently in October 2017 on the upcoming standard change relating to Asset Retirement Obligations
- At no cost, in F2016, KPMG performed an HST review for the Board – providing resources and responding to questions from the Board
- Use of Data and Analytics in the audit – this helps us to improve the quality of audit evidence obtained and provide additional insights into the data as we are looking at 100% of a population. We anticipate increasing the use of D&A in our audit procedures in future years.

To facilitate a discussion, we have outlined some of the attributes of our team and our processes that we believe enhanced the value of our audit service. We recognize that certain of these items are necessary components of a rigorous audit.

- Extensive industry experience on our audit team – as you have experienced, the senior members of our team have extensive experience in audits of entities in your industry. This experience ensures that we are well positioned to identify and discuss observations and insights that are important to you.
- Current development update sessions – we have delivered tailored information on current developments on financial reporting and other matters that are likely to be significant to AMDSB and your team to assist in you in proactively responding to / addressing financial reporting and regulatory changes.
- Involvement of specialists – Our audit team is supported by KPMG specialists in indirect taxes and information systems. The specialists provide insights and observations to the audit team, as required.

# Appendix 5: Audit Quality and Risk Management

KPMG maintains a system of quality control designed to reflect our drive and determination to deliver independent, unbiased advice and opinions, and also meet the requirements of Canadian professional standards.

Quality control is fundamental to our business and is the responsibility of every partner and employee. The following diagram summarises the six key elements of our quality control systems.

Visit our [Audit Quality Resources page](#) for more information including access to our audit quality report, [Audit quality: Our hands-on process](#).

- Other controls include:
  - Before the firm issues its audit report, the Engagement Quality Control Reviewer reviews the appropriateness of key elements of publicly listed client audits.
  - Technical department and specialist resources provide real-time support to audit teams in the field.
- We conduct regular reviews of engagements and partners. Review teams are independent and the work of every audit partner is reviewed at least once every three years.
- We have policies and guidance to ensure that work performed by engagement personnel meets applicable professional standards, regulatory requirements and the firm’s standards of quality.
- All KPMG partners and staff are required to act with integrity and objectivity and comply with applicable laws, regulations and professional standards at all times.



- We do not offer services that would impair our independence.
- The processes we employ to help retain and develop people include:
  - Assignment based on skills and experience;
  - Rotation of partners;
  - Performance evaluation;
  - Development and training; and
  - Appropriate supervision and coaching.
- We have policies and procedures for deciding whether to accept or continue a client relationship or to perform a specific engagement for that client.
- Existing audit relationships are reviewed annually and evaluated to identify instances where we should discontinue our professional association with the client.

# Appendix 6: Background and professional standards

## Internal control over financial reporting

As your auditors, we are required to obtain an understanding of internal control over financial reporting (ICFR) relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on internal control. Accordingly, we do not express an opinion on the effectiveness of internal control.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

The control deficiencies communicated to you are limited to those control deficiencies that we identified during the audit.

## Documents containing or referring to the audited financial statements

We are required by our professional standards to read only documents containing or referring to audited financial statements and our related auditors' report that are available through to the date of our auditors' report. The objective of reading these documents through to the date of our auditors' report is to identify material inconsistencies, if any, between the audited financial statements and the other information. We also have certain responsibilities, if on reading the other information for the purpose of identifying material inconsistencies, we become aware of an apparent material misstatement of fact.

We are also required by our professional standards when the financial statements are translated into another language to consider whether each version, available through to the date of our auditors' report, contains the same information and carries the same meaning.



# Appendix 7: Lean in Audit™

Lean in Audit™ is our new innovative audit approach which delivers far more than the high-quality and efficient audit you expect.

We will deliver new and pragmatic insights into your business processes and controls environment that will enable you to make measurable change to quality, productivity and profitability.

Going beyond applying principles we have embedded Lean techniques into our core audit delivery process taking audit to a new level of capability, quality and effectiveness.

## HOW IT WORKS

1. Provide basic **Lean training** and equip our teams with a new Lean mind-set to improve **quality, value and productivity**
2. Perform interactive workshops to conduct walkthroughs of selected financial process providing **end to end transparency** and **understanding** of **process and control quality** and **effectiveness**
3. Quick and **pragmatic insight reporting** including your teams **immediate quick win actions** and **prioritized opportunities** to realize benefit



## Lean in Audit™

- **Award-winning innovative audit approach**
- Higher audit quality - deeper process and controls understanding
- Interactive workshops replacing traditional walkthroughs taking engagement, and opportunity identification to a new level
- Engages and unlocks change across functions
- Actionable quality and productivity improvement observations
- Enjoyable new way of working



## Audit

- Mandate to look at all financial processes
- Access to all parts of your business
- Audit teams are already skilled in process analysis



## Lean

- Focus on quality and value
- Simple, yet powerful process improvement methodology
- Empowers employees to make improvement
- Provides new mindset and capabilities
- Pragmatic way to improve productivity

# Appendix 8: Data & Analytics in Audit

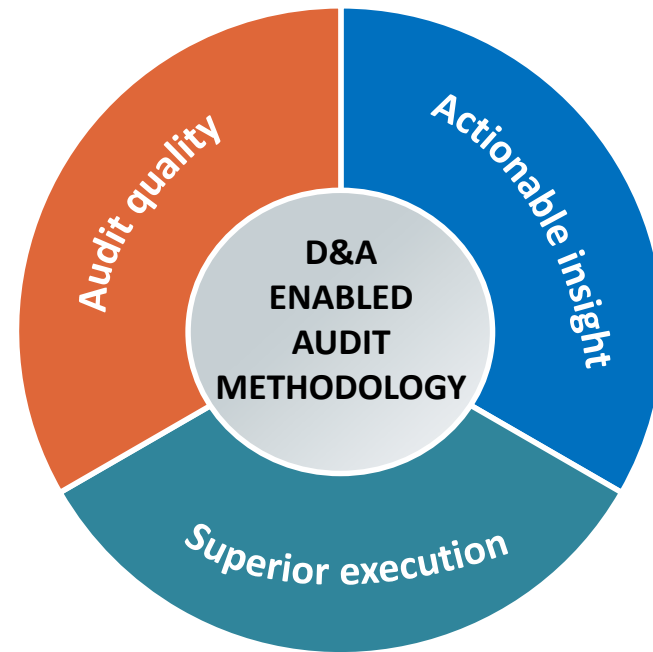
## Turning data into value

KPMG continues to make significant investments in our Data & Analytics (D&A) capabilities to help enhance audit quality and provide actionable insight to our clients by unlocking the rich information that businesses hold.

When D&A is applied to the audit, it enables us to test complete data populations and understand the business reasons behind outliers and anomalies. Advancements in D&A tools allow us to analyze data at more granular levels, focusing on higher risk areas of the audit and developing insights you can then leverage to improve compliance, potentially uncover fraud, manage risk and more.

## KPMG is enhancing the audit

The combination of our proven industry experience, technical know-how and external data allows us to focus our audit on the key business risks, while providing relevant insights of value to you.



### FOR THE AUDIT

#### AUDIT QUALITY

- Automated testing of 100% of the population
- Focuses manual audit effort on key exceptions and identified risk areas

### FOR YOUR BUSINESS

#### ACTIONABLE INSIGHT

- Helping you see your business from a different perspective
- How effectively is your organization using your systems?

[kpmg.ca/audit](http://kpmg.ca/audit)



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