

Consolidated Financial Statements

**Avon Maitland District School Board**

August 31, 2013

## 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.

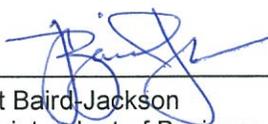
The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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 Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their 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.

  
\_\_\_\_\_  
Ted Doherty  
Director of Education  
and Secretary of the Board

  
\_\_\_\_\_  
Janet Baird-Jackson  
Superintendent of Business  
and Treasurer

Date: November 12, 2013



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## 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, 2013, the consolidated statement of operations and accumulated deficit, changes in net debt and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

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

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

### *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.

#### **KPMG Confidential**

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*Opinion*

In our opinion, the consolidated financial statements of Avon Maitland District School Board as at and for the year ended August 31, 2013 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.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

November 12, 2013

London, Canada

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

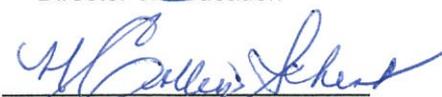
As at August 31, 2013, with comparative figures for 2012

	2013 \$	2012 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	6,361,359	10,355,674
Accounts receivable	7,783,806	6,911,390
Accounts receivable, Province of Ontario	284,924	402,587
Accounts receivable, Province of Ontario – Capital debt grant (note 2)	56,052,893	45,429,514
Investments	47,450	122,898
Assets held for sale (note 3)	1,073,200	1,455,383
<b>Total financial assets</b>	<b>71,603,632</b>	<b>64,677,446</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	11,192,987	8,853,697
Long-term financing (note 5)	37,985,179	39,253,685
Deferred revenue (note 6)	9,031,635	5,202,709
Retirement and other employee future benefits payable (note 7)	21,449,000	28,514,822
Deferred capital contributions (note 8)	120,662,114	110,179,703
<b>Total financial liabilities</b>	<b>200,320,915</b>	<b>192,004,616</b>
<b>Net debt</b>	<b>128,717,283</b>	<b>127,327,170</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	461,266	490,890
Tangible capital assets (note 10)	127,557,385	115,577,213
<b>Total non-financial assets</b>	<b>128,018,651</b>	<b>116,068,103</b>
Commitments and contingencies (note 13)		
<b>Accumulated deficit (note 11)</b>	<b>(698,632)</b>	<b>(11,259,067)</b>

See accompanying notes to consolidated financial statements

On behalf of the Board:

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

  
\_\_\_\_\_  
Chair of the School Board

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

For the year ended August 31, 2013, with comparative figures for 2012

	<b>2013</b>		<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	\$	\$	\$
<b>REVENUES</b>			
Provincial grants - student focused funding	175,414,487	178,317,861	181,436,345
Provincial grants - OYAP	104,002	104,002	95,863
Provincial grants - other	9,160,513	9,043,307	6,244,112
Federal grants and fees	-	-	209,450
Other revenues - school boards	619,470	662,651	736,131
Other fees and revenues	1,260,959	1,559,665	1,516,627
Investment income	150,000	114,371	111,259
School generated funds ( <i>schedule 1</i> )	7,000,000	5,921,466	6,910,492
<b>Total revenues</b>	<b>193,709,431</b>	<b>195,723,323</b>	<b>197,260,279</b>
<b>EXPENSES</b> ( <i>note 9</i> )			
Instruction	144,516,593	139,210,792	125,233,662
Administration	4,704,275	4,319,369	3,916,049
Transportation	11,543,801	11,366,164	11,762,727
Pupil accommodation	24,064,845	23,745,864	22,669,731
Other	216,662	386,586	326,224
School generated funds activities ( <i>schedule 1</i> )	7,000,000	6,134,113	6,885,092
<b>Total expenses</b>	<b>192,043,176</b>	<b>185,162,888</b>	<b>170,793,485</b>
<b>Annual surplus</b>	<b>1,666,255</b>	<b>10,560,435</b>	<b>26,466,794</b>
Accumulated deficit, opening	(11,259,067)	(11,259,067)	(37,725,861)
<b>Accumulated deficit, closing</b> ( <i>note 11</i> )	<b>(9,592,812)</b>	<b>(698,632)</b>	<b>(11,259,067)</b>

See accompanying notes to consolidated financial statements

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

For the year ended August 31, 2013, with comparative figures for 2012

	<b>2013</b>	<b>2012</b>
	\$	\$
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	10,560,435	26,466,794
Changes in non-cash items		
Amortization of tangible capital assets	6,859,346	6,432,167
Write-down of tangible capital assets	1,416,838	1,090,185
Loss on disposal of tangible capital assets	19,003	484,465
Transfer of tangible capital assets to assets held for sale	1,073,200	1,455,383
Revenue from deferred capital contributions	(7,940,343)	(7,130,650)
Changes in non-cash assets and liabilities		
(Increase) decrease in accounts receivable	(754,753)	304,579
(Increase) decrease in assets held for sale	382,183	(1,455,383)
Increase in accounts payable and accrued liabilities	2,339,290	2,346,998
Increase in deferred revenue – operating, net	1,540,158	211,062
Decrease in retirement and other employee future benefit payable	(7,065,822)	(24,860,012)
(Increase) decrease in prepaid expenses	29,624	(81,567)
<b>Net increase in cash from operations</b>	<b>8,459,159</b>	<b>5,264,021</b>
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on sale of tangible capital assets	288,843	951,781
Cash used to acquire tangible capital assets	(21,637,402)	(13,025,892)
<b>Net (decrease) in cash from capital</b>	<b>(21,348,559)</b>	<b>(12,074,111)</b>
<b>INVESTING TRANSACTIONS</b>		
Cash provided by investing transactions	75,448	26,365
<b>Net increase in cash from capital</b>	<b>75,448</b>	<b>26,365</b>
<b>FINANCING TRANSACTIONS</b>		
Long-term financing issued	-	7,151,171
Long-term financing repayments	(1,268,506)	(1,165,943)
Increase in accounts receivable – capital	(10,623,379)	(4,956,543)
Additions to deferred capital contributions, net of transfers to deferred revenue	18,422,754	9,791,602
Increase in deferred revenue – capital, net	2,288,768	3,075,781
<b>Cash provided by financing transactions</b>	<b>8,819,637</b>	<b>13,896,068</b>
<b>Change in Cash and Cash Equivalents</b>	<b>(3,994,315)</b>	<b>7,112,343</b>
Cash and cash equivalents, opening	10,355,674	3,243,331
<b>Cash and cash equivalents, closing</b>	<b>6,361,359</b>	<b>10,355,674</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, 2013, with comparative figures for 2012

	<b>2013</b>	<b>2012</b>
	\$	\$
Annual surplus	10,560,435	26,466,794
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of tangible capital assets	(21,637,402)	(13,025,892)
Amortization of tangible capital assets	6,859,346	6,432,167
Loss on sale of tangible capital assets	19,003	484,465
Proceeds on sale of tangible capital assets	288,843	951,781
Transfer to assets held for sale	1,073,200	1,455,383
Write-down on tangible capital assets	1,416,838	1,090,185
<b>Total tangible capital assets activity</b>	<b>(11,980,172)</b>	<b>(2,611,911)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Acquisition of prepaid expenses	(461,266)	(490,890)
Use of prepaid expenses	490,890	409,323
<b>Total other non-financial asset activity</b>	<b>29,624</b>	<b>(81,567)</b>
<b>Decrease (increase) in net debt</b>	<b>(1,390,113)</b>	<b>23,773,316</b>
Net debt, opening	(127,327,170)	(151,100,486)
<b>Net debt, closing</b>	<b>(128,717,283)</b>	<b>(127,327,170)</b>

*See accompanying notes to consolidated financial statements*

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2013

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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

August 31, 2013

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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 Deficit 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

August 31, 2013

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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

#### (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. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, dental and life plans. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, dental and life plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change were recognized as at August 31, 2012.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2013

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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

Asset	Estimated useful life in years
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.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2013

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Tangible capital assets (continued)

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.

Prior to 2013, local taxes revenues were reported as a separate line item in the Consolidated Statement of Operations and Accumulated Deficit. In 2013, these revenues were reclassified and shown as part of provincial grants – student focused funding. The 2012 comparative figures have also been reclassified to conform to this financial statement presentation standard adopted in 2013.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

#### (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.

#### (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.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2013

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (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 retirement and other employee future benefits payable, accrued liabilities and certain fund balances. Actual results could differ from these estimates.

### 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 \$56,052,893 (2012 - \$45,429,514) as at August 31, 2013 with respect to capital grants.

### 3. ASSETS HELD FOR SALE

As of August 31, 2013, assets held for sale consisted of \$855,562 (2012 - \$1,345,290) related to buildings, \$26,336 (2012 - \$79,721) related to land improvements and \$191,302 (2012 - \$30,372) related to land. These values relate to 3 properties expected to be sold following September 1<sup>st</sup>, 2013. Subsequent to year-end, the Board signed unconditional Purchase and Sale Agreements for all three of the properties.

During the year, 8 school properties were sold, and additional properties with a net book value of \$1,381,046 were reclassified as assets held for sale. Net proceeds of \$1,683,032 (2012 - \$951,781) were received on the sale of these properties, which had a carrying value of \$1,763,229 (2012 - \$1,436,246), resulting in a loss on disposal of \$80,197 (2012 - \$484,465).

	2013 \$	2012 \$
Balance, beginning of year	1,455,383	-
Transfer to assets held for sale in year	1,381,046	2,891,629
Less: Net book value of assets sold in year	(1,763,229)	(1,436,246)
<b>Balance, end of year</b>	<b>1,073,200</b>	<b>1,455,383</b>

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

August 31, 2013

**4. BANK INDEBTEDNESS**

The Board has a \$40,000,000 unsecured operating line of credit available bearing interest of the prime rate minus 0.65%, of which Nil (2012 - Nil) was drawn at August 31, 2013.

**5. LONG-TERM FINANCING**

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

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Capital leases with interest rates ranging from 4.84% to 4.95% maturing in accordance with schedule below	100,974	270,614
Capital loan for Good Places to Learn Stage 1, interest rate of 4.56% with a 25 year term, maturing November 15, 2031	13,169,108	13,614,749
Capital loan for Good Places to Learn Stage 2, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	6,379,090	6,566,645
Capital loan for Good Places to Learn Stage 3, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	3,408,822	3,499,556
Capital loan for Good Places to Learn Stage 4, interest rate of 5.23% with a 25 year term, maturing April 13, 2035	3,672,984	3,761,011
Capital loan for Primary Class Size, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	1,391,560	1,432,474
Capital loan for Primary Class Size, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	249,626	256,270
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	2,638,846	2,701,195
Capital loan for Prohibitive to Repair Projects – Little Falls interest rate of 3.97% with a 25 year term, maturing November 15, 2036	6,974,169	7,151,171
	<b>37,985,179</b>	<b>39,253,685</b>

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

August 31, 2013

**5. LONG-TERM FINANCING (CONTINUED)**

Capital loan payments due over the term of the loan ending August 31 are as follows:

	Principal \$	Interest \$	Total \$
2014	1,150,554	1,739,805	2,890,359
2015	1,204,690	1,685,956	2,890,646
2016	1,261,389	1,629,557	2,890,946
2017	1,320,774	1,570,488	2,891,262
2018	1,382,972	1,508,620	2,891,592
Thereafter	31,563,826	13,064,595	44,628,421
	<b>37,884,205</b>	<b>21,199,021</b>	<b>59,083,226</b>

During the year ended August 31, 2013, the Board made payments of \$2,900,376 (2012 - \$2,574,995) in respect to these capital loans.

The Board has a \$3,000,000 leasing facility available of which \$100,974 (2012 - \$270,614) was drawn, against which specific assets were pledged as collateral.

Capital lease payments due over the next three years ending August 31 are as follows:

	\$
2014	69,112
2015	35,688
2016	-
	104,800
Less imputed interest	(3,826)
	<b>100,974</b>

During the year ended August 31, 2013 the Board made payments of \$177,987 (2012 - \$306,269) in respect to these capital leases.

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

August 31, 2013

### 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, 2013 is comprised of:

	Balance at August 31, 2012 \$	Externally restricted funds received \$	Revenue recognized in year \$	Transfers to deferred capital contributions \$	Balance at August 31, 2013 \$
<b>Operating deferred revenue:</b>					
Ministry of Education	955,265	6,060,009	(4,970,294)	-	2,044,980
Other Provincial Ministries	49,711	40,657	(43,481)	-	46,887
Other	253,176	644,700	(191,433)	-	706,443
<b>Total operating deferred revenue</b>	<b>1,258,152</b>	<b>6,745,366</b>	<b>(5,205,208)</b>	<b>-</b>	<b>2,798,310</b>
<b>Capital deferred revenue:</b>					
Assets held for sale (i)	1,425,011	(543,113)	-	-	881,898
Childcare retrofit grant	-	539,000	-	(38,135)	500,865
Proceeds on disposition of facilities (i)	985,284	1,683,032	-	(207,662)	2,460,654
School condition improvement	927,041	1,497,087	-	(1,470,737)	953,391
School renewal	531,848	3,195,008	(102,734)	(2,268,591)	1,355,531
School fundraising	75,373	383,259	-	(377,646)	80,986
<b>Total capital deferred revenue</b>	<b>3,944,557</b>	<b>6,754,273</b>	<b>(102,734)</b>	<b>(4,362,771)</b>	<b>6,233,325</b>
<b>Total deferred revenue</b>	<b>5,202,709</b>	<b>13,499,639</b>	<b>(5,307,942)</b>	<b>(4,362,771)</b>	<b>9,031,635</b>

(i) Included in externally restricted funds received is \$1,683,032 transferred from Assets held for sale to Proceeds of disposition for 8 properties disposed of in year.

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

August 31, 2013

**7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS LIABILITY**

Retirement and other employee future benefit liabilities as of August 31, 2013 consist of the following:

	<b>2013</b>				<b>2012</b>
	<b>Retirement gratuities</b>	<b>Post retirement benefits</b>	<b>Other employee future benefits</b>	<b>Total employee future benefits</b>	<b>Total employee future benefits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accrued employee future benefit obligations	18,915,007	917,554	998,752	20,831,313	28,514,822
Unamortized actuarial gains	617,687	-	-	617,687	-
Employee future benefits liability as of August 31	19,532,694	917,554	998,752	21,449,000	28,514,822

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

	<b>2013</b>				<b>2012</b>
	<b>Retirement gratuities</b>	<b>Post retirement benefits</b>	<b>Other employee future benefits</b>	<b>Total employee future benefits</b>	<b>Total employee future benefits</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Current year benefit cost	(2,790,000)	67,379	225,365	(2,497,256)	3,681,009
Interest on accrued benefit obligation	635,776	112,144	26,118	774,038	2,021,531
Amortized gain	-	(11,587)	-	(11,587)	-
Plan amendment loss (gain)	42,271	(2,576,814)	35,652	(2,498,891)	(26,268,867)
Current year expense	(2,111,953)	(2,408,878)	287,135	(4,233,696)	(20,566,327)
 Total payments made during the year	 1,801,217	 756,012	 274,897	 2,832,126	 4,293,685

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

August 31, 2013

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### **7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS LIABILITY (Cont'd)**

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, dental and life plans. As a result, employees eligible for a retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days were eliminated as of September 1, 2012, and were replaced with a new short-term leave and disability plan. In 2013, further changes were made to the short-term leave and disability plan. Under the new plan, eleven (11) unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short-term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grand-parented to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

#### **(a) Retirement benefits**

The board provides retirement gratuities 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

(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 12.8% of earnings for the period ended December 31, 2012 and were up to 14.6% subsequent to January 1, 2013. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2013, the Board contributed \$2,031,509 (2012 - \$1,842,212) 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.

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

August 31, 2013

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### **7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS LIABILITY (Cont'd)**

#### **(a) Retirement benefits (Cont'd)**

##### **(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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time increase to the Board's obligation of \$996,979 and a corresponding curtailment loss was reported in the Consolidated Statement of Operations and Accumulated Deficit as 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 are subsidized by the board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements. The changes to the Board's retiree health care and dental plans resulted in a one-time reduction to the Board's obligation of \$19,424,177 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and Accumulated Deficit as at August 31, 2012.

#### **(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. Plan changes made in 2012 requires boards 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 previously negotiated collective agreements included such provisions. This resulted in a one-time increase to the Board's obligation of \$125,176 as at August 31, 2012. The total amount of the unfunded liability as of August 31, 2013 is \$893,482 (2012 - \$986,514). This amount has been actuarially determined.

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

August 31, 2013

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**7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS LIABILITY (Cont'd)**

**(b) Other employee future benefits (Cont'd)**

(ii) Sick leave benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction to the obligation of \$7,841,669 and a corresponding curtailment gain reported in the Consolidated Statement of Operations and Accumulated Deficit as at August 31, 2012.

Sick leave top-up benefits

As a result of changes made in 2013 to the short-term sick leave and disability plan, 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 \$126,117 (2012 – nil). The total amount of the liability as of August 31, 2013 is \$63,410 (2012 - nil).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2013. This actuarial valuation is based on assumptions about future events.

**(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, 2013. 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>2013</b>	<b>2012</b>
	<b>%</b>	<b>%</b>
Inflation	2.00	2.00
Wage and salary escalation	Nil	Nil
Insurance and health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 4%	8.75	9.50
Dental health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 3%	4.75	5.50
Discount on accrued benefit obligations	3.40	3.00

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

August 31, 2013

**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>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	110,179,703	107,518,751
Additions to deferred capital contributions	19,606,153	12,632,919
Revenue recognized in the period for deferred capital contributions amortization	(7,940,343)	(7,130,650)
Transfer to deferred revenue	(1,183,399)	(2,841,317)
<b>Balance, end of year</b>	<b>120,662,114</b>	<b>110,179,703</b>

**9. EXPENSES BY OBJECT**

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

	<b>2013</b>		<b>2012</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Expense			
Salary and wages	127,945,071	128,063,590	130,717,654
Employee benefits, operating	18,397,659	17,156,714	20,061,996
Employee benefits, plan amendments, curtailments, terminations and true-ups	-	(5,288,891)	(26,268,867)
Staff development	712,221	592,775	487,713
Supplies and services	13,986,809	12,901,971	13,398,007
Interest	1,809,857	1,794,863	1,788,080
Rental expenditures	485,782	435,790	398,687
Fees and contract services	14,564,316	14,596,683	14,849,489
Other	387,845	392,942	468,818
Amortization and write-downs of tangible capital assets	6,753,616	8,363,335	7,522,351
Loss on disposal	-	19,003	484,465
School funded activities	7,000,000	6,134,113	6,885,092
	<b>192,043,176</b>	<b>185,162,888</b>	<b>170,793,485</b>

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

August 31, 2013

**10. TANGIBLE CAPITAL ASSETS**

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

	<b>2013</b>	<b>2012</b>
	\$	\$
Buildings (40 Years)	112,869,006	100,965,217
Buildings (20 Years)	94,660	44,028
Construction in progress	1,742,902	4,100,235
Portable structures	712,020	493,330
Land	4,351,721	3,355,058
Pre-acquisition, land	-	12,554
Land improvements	3,425,467	2,849,410
Furniture	616,450	522,971
First time equipping	564,441	250,602
Equipment	691,857	523,571
Computer hardware	1,783,729	1,427,672
Computer software	412,843	507,187
Vehicles	103,352	119,943
Leased assets – computer hardware	169,399	405,435
Leasehold improvements	19,538	-
	<b>127,557,385</b>	<b>115,577,213</b>

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

August 31, 2013

### 10. TANGIBLE CAPITAL ASSETS (Cont'd)

Gross book value	Balance at Aug 31/12 \$	Additions to Aug 31/13 \$	Disposals/ write-downs to Aug 31/13 \$	Transfer to assets held for Sale Aug 31/13 \$	Balance at Aug 31/13 \$
Buildings (40 Years)	154,460,989	19,666,573	-	(5,516,330)	168,611,232
Buildings (20 Years)	45,157	54,248	-	-	99,405
Construction in progress	4,100,235	(2,357,333)	-	-	1,742,902
Portable structures	550,610	252,489	-	-	803,099
Land	3,355,058	1,194,310	-	(197,647)	4,351,721
Pre-acquisition, land	12,554	(12,554)	-	-	-
Land Improvements	3,806,256	1,012,095	-	(39,961)	4,778,390
Furniture	782,980	179,178	(31,154)	-	931,004
First time equipping	310,222	362,874	(2,620)	-	670,476
Equipment	971,514	276,668	(78,789)	-	1,169,393
Computer hardware	2,451,813	887,572	(328,116)	-	3,011,269
Computer software	861,912	72,935	(123,967)	-	810,880
Vehicles	353,947	23,924	-	-	377,871
Leased assets – computer hardware	1,897,280	-	(978,111)	-	919,169
Leasehold improvements	-	24,423	-	-	24,423
	173,960,527	21,637,402	(1,542,757)	(5,753,938)	188,301,234

Accumulated amortization	Balance at Aug 31/12 \$	Additions to Aug 31/13 \$	Disposals/ write-downs to Aug 31/13 \$	Transfer to assets held for sale Aug 31/13 \$	Balance at Aug 31/13 \$
Buildings (40 Years)	(53,495,772)	(5,188,883)	(1,416,838)	4,359,267	(55,742,226)
Buildings (20 Years)	(1,129)	(3,616)	-	-	(4,745)
Construction in progress	-	-	-	-	-
Portable structures	(57,280)	(33,799)	-	-	(91,079)
Land	-	-	-	-	-
Pre-acquisition, land	-	-	-	-	-
Land improvements	(956,846)	(409,702)	-	13,625	(1,352,923)
Furniture	(260,009)	(85,699)	31,154	-	(314,554)
First time equipping	(59,620)	(49,035)	2,620	-	(106,035)
Equipment	(447,943)	(108,382)	78,789	-	(477,536)
Computer hardware	(1,024,141)	(531,515)	328,116	-	(1,277,540)
Computer software	(354,725)	(167,279)	123,967	-	(398,037)
Vehicles	(234,004)	(40,515)	-	-	(274,519)
Leased assets – computer hardware	(1,491,845)	(236,036)	978,111	-	(749,770)
Leasehold improvements	-	(4,885)	-	-	(4,885)
	(58,383,314)	(6,859,346)	125,919	4,372,892	(60,743,849)

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

August 31, 2013

### 11. ACCUMULATED DEFICIT

The accumulated deficit consists of the following:

	2013 \$	2012 \$
<b>Surplus:</b>		
Operating accumulated surplus	4,418,926	3,957,070
Amounts restricted for future use by board motion	6,773,817	6,634,179
School generated funds	2,028,711	2,241,357
Net investment in tangible capital assets	7,086,574	5,167,917
<b>Total surplus amounts</b>	<b>20,308,028</b>	<b>18,000,523</b>
<b>Unfunded amounts:</b>		
Employee benefits	(20,489,246)	(28,514,822)
Not permanently financed amounts	(517,414)	(744,768)
<b>Total unfunded amounts</b>	<b>(21,006,660)</b>	<b>(29,259,590)</b>
<b>Total deficit</b>	<b>(698,632)</b>	<b>(11,259,067)</b>

### 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:

General Student Awards Trust Fund	2013 \$	2012 \$
<b>Balance, opening</b>	2,108,054	2,062,100
Add		
Trust funds received in year	140,309	126,723
Investment income	40,552	39,886
	2,288,915	2,228,709
Deduct awards	(138,898)	(120,655)
<b>Balance, closing</b>	<b>2,150,017</b>	<b>2,108,054</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 August 31, 2015 and yield between 1.75% and 2.1%. The cash deposits were earning 1.00% at August 31, 2013.

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, 2013 was \$883,735 (2012 - \$747,567).

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2013

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### 13. CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

The Board is a member of the Ontario School Board Insurance Exchange ("OSBIE") for a period, which ends December 31, 2013. 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 is payable with respect to these commitments during the next five years as follows:

	<b>Capital projects</b>	<b>Operating leases</b>	<b>Total \$</b>
2014	2,206,220	282,032	2,488,252
2015	-	224,780	224,780
2016	-	-	-
	<b>2,206,220</b>	<b>506,812</b>	<b>2,713,032</b>

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

August 31, 2013

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**14. TRANSPORTATION CONSORTIA**

Transportation services for the Board are provided in partnership with the Huron-Perth Catholic District School Board, 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, 2013 was \$11,219,602 (2012 - \$11,459,580), the Board’s non-administration expenses totaled \$11,019,400 (2012 - \$11,434,277) and the Board’s receivable at August 31, 2013 was \$86,612 (2012 - \$45,679).

	2013		2012	
	Total \$	Board portion \$	Total \$	Board portion \$
Administration expenses	457,550	346,765	423,041	328,450

**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.

**Avon Maitland District School Board  
Schedule of School Generated Funds**

**Schedule 1**

For the year ended August 31, 2013, with comparative figures for 2012

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
School fundraising		
Elementary	3,324,899	3,780,965
Secondary	2,596,567	3,129,527
<b>Total revenues</b>	<b>5,921,466</b>	<b>6,910,492</b>
<b>EXPENSES</b>		
School funded activities		
Elementary	3,424,292	3,773,055
Secondary	2,790,820	3,112,037
<b>Total expenses</b>	<b>6,134,112</b>	<b>6,885,092</b>
<b>Net revenue</b>	<b>(212,646)</b>	<b>25,400</b>
School activities fund, opening	2,241,357	2,215,957
<b>School activities fund, closing</b>	<b>2,028,711</b>	<b>2,241,357</b>