

Consolidated Financial Statements

**Avon Maitland District School Board**

August 31, 2014

## 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.

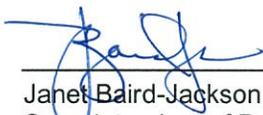
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis 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.



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Ted Doherty  
Director of Education  
and Secretary of the Board



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Janet Baird-Jackson  
Superintendent of Business  
and Treasurer

Date: November 11, 2014



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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, 2014, 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.

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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, 2014 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*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

November 11, 2014

London, Canada

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

As at August 31, 2014, with comparative information for 2013

	2014 \$	2013 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	15,972,827	6,361,359
Accounts receivable	7,759,013	7,783,806
Accounts receivable, Province of Ontario	244,610	284,924
Accounts receivable, Province of Ontario – Capital debt grant (note 2)	53,049,578	56,052,893
Investments	47,671	47,450
Assets held for sale (note 3)	-	1,073,200
<b>Total financial assets</b>	<b>77,073,699</b>	<b>71,603,632</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	9,735,830	11,192,987
Long-term financing (note 5)	46,046,961	37,985,179
Deferred revenue (note 6)	8,030,293	9,031,635
Retirement and other employee future benefits payable (note 7)	20,100,300	21,449,000
Deferred capital contributions (note 8)	126,406,988	120,662,114
<b>Total financial liabilities</b>	<b>210,320,372</b>	<b>200,320,915</b>
<b>Net debt</b>	<b>133,246,673</b>	<b>128,717,283</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	445,782	461,266
Tangible capital assets (note 10)	134,101,830	127,557,385
<b>Total non-financial assets</b>	<b>134,547,612</b>	<b>128,018,651</b>
Commitments and contingencies (note 13)		
Subsequent event (note 14)		
<b>Accumulated surplus (deficit) (note 11)</b>	<b>1,300,939</b>	<b>(698,632)</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 Surplus  
(Deficit)**

For the year ended August 31, 2014, with comparative information for 2013

	<b>2014</b>		<b>2013</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	\$	\$	\$
<b>REVENUES</b>			
Provincial grants - student focused funding	171,588,417	171,862,964	178,317,861
Provincial grants - other	13,197,144	13,207,418	9,147,309
Federal grants and fees (Service Canada)	-	104,601	-
Other revenues - school boards	567,726	667,946	662,651
Other fees and revenues	1,548,666	1,975,668	1,559,665
Investment income	150,000	132,963	114,371
School generated funds ( <i>schedule 1</i> )	6,650,000	6,404,933	5,921,466
<b>Total revenues</b>	<b>193,701,953</b>	<b>194,356,493</b>	<b>195,723,323</b>
<b>EXPENSES</b> ( <i>note 9</i> )			
Instruction	147,274,528	145,644,059	139,210,792
Administration	5,020,573	4,747,516	4,319,369
Transportation	11,413,060	11,483,375	11,366,164
Pupil accommodation	23,902,443	23,793,837	23,745,864
Other	279,243	367,795	386,586
School generated funds activities ( <i>schedule 1</i> )	6,650,000	6,320,340	6,134,113
<b>Total expenses</b>	<b>194,539,847</b>	<b>192,356,922</b>	<b>185,162,888</b>
<b>Annual surplus (deficit)</b>	<b>(837,894)</b>	<b>1,999,571</b>	<b>10,560,435</b>
Accumulated deficit, opening	(698,632)	(698,632)	(11,259,067)
<b>Accumulated surplus (deficit), closing (note 11)</b>	<b>(837,894)</b>	<b>1,300,939</b>	<b>(698,632)</b>

See accompanying notes to consolidated financial statements

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

For the year ended August 31, 2014, with comparative information for 2013

	2014 \$	2013 \$
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	1,999,571	10,560,435
Changes in non-cash items		
Amortization of tangible capital assets	7,448,753	6,859,346
Write-down of tangible capital assets	681	1,416,838
Loss on disposal of tangible capital assets	-	19,003
Transfer of tangible capital assets to assets held for sale	-	1,073,200
Revenue from deferred capital contributions	(7,338,651)	(7,940,343)
Changes in non-cash assets and liabilities		
(Increase) decrease in accounts receivable	65,107	(754,753)
Decrease in assets held for sale	1,073,200	382,183
Increase (decrease) in accounts payable and accrued liabilities	(1,457,157)	2,339,290
Increase (decrease) in deferred revenue – operating, net	(666,045)	1,540,158
Decrease in retirement and other employee future benefit payable	(1,348,700)	(7,065,822)
Decrease in prepaid expenses	15,484	29,624
<b>Net increase (decrease) in cash from operations</b>	<b>(207,757)</b>	<b>8,459,159</b>
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on sale of tangible capital assets	4,705	288,843
Cash used to acquire tangible capital assets	(13,998,584)	(21,637,402)
<b>Net decrease in cash from capital</b>	<b>(13,993,879)</b>	<b>(21,348,559)</b>
<b>INVESTING TRANSACTIONS</b>		
Cash provided by investing transactions	(221)	75,448
<b>Net increase (decrease) in cash from capital</b>	<b>(221)</b>	<b>75,448</b>
<b>FINANCING TRANSACTIONS</b>		
Long-term financing issued	9,278,305	-
Long-term financing repayments	(1,216,523)	(1,268,506)
(Increase) decrease in accounts receivable – capital	3,003,315	(10,623,379)
Additions to deferred capital contributions, net of transfers to deferred revenue	13,083,525	18,422,754
Increase (decrease) in deferred revenue – capital, net	(335,297)	2,288,768
<b>Cash provided by financing transactions</b>	<b>23,813,325</b>	<b>8,819,637</b>
<b>Change in Cash and Cash Equivalents</b>	<b>9,611,468</b>	<b>(3,994,315)</b>
Cash and cash equivalents, opening	6,361,359	10,355,674
<b>Cash and cash equivalents, closing</b>	<b>15,972,827</b>	<b>6,361,359</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, 2014, with comparative information for 2013

	<b>2014</b>	<b>2013</b>
	\$	\$
Annual surplus	1,999,571	10,560,435
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of tangible capital assets	(13,998,584)	(21,637,402)
Amortization of tangible capital assets	7,448,753	6,859,346
Loss on sale of tangible capital assets	-	19,003
Proceeds on sale of tangible capital assets	4,705	288,843
Transfer to assets held for sale	-	1,073,200
Write-down on tangible capital assets	681	1,416,838
<b>Total tangible capital assets activity</b>	<b>(6,544,445)</b>	<b>(11,980,172)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Acquisition of prepaid expenses	(445,782)	(461,266)
Use of prepaid expenses	461,266	490,890
<b>Total other non-financial asset activity</b>	<b>15,484</b>	<b>29,624</b>
<b>Increase in net debt</b>	<b>(4,529,390)</b>	<b>(1,390,113)</b>
Net debt, opening	(128,717,283)	(127,327,170)
<b>Net debt, closing</b>	<b>(133,246,673)</b>	<b>(128,717,283)</b>

*See accompanying notes to consolidated financial statements*

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2014

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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, 2014

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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, 2014

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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. 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.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2014

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- (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:

<b>Asset</b>	<b>Estimated useful life in years</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.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

August 31, 2014

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### 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

#### (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.

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

August 31, 2014

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### 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 \$53,049,578 (2013 - \$56,052,893) as at August 31, 2014 with respect to capital grants.

### 3. ASSETS HELD FOR SALE

As of August 31, 2014, assets held for sale consisted of Nil (2013 - \$855,562) related to buildings, Nil (2013 - \$26,336) related to land improvements and Nil (2013 - \$191,302) related to land.

During the year, 3 school properties were sold, and no additional properties were reclassified as assets held for sale. Net proceeds of \$1,016,926 (2013 - \$1,683,032) were received on the sale of these properties, which had a carrying value of \$1,073,200 (2013 - \$1,763,229), resulting in a loss on disposal of \$56,274 (2013 - \$80,197).

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	2014	2013
	\$	\$
Balance, beginning of year	1,073,200	1,455,383
Transfer to assets held for sale in year	-	1,381,046
Less: Net book value of assets sold in year	(1,073,200)	(1,763,229)
<b>Balance, end of year</b>	<b>-</b>	<b>1,073,200</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 (2013 - Nil) was drawn at August 31, 2014.

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

August 31, 2014

### 5. LONG-TERM FINANCING

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

	2014 \$	2013 \$
Capital loan for Good Places to Learn Stage 1, interest rate of 4.56% with a 25 year term, maturing November 15, 2031	12,702,915	13,169,108
Capital loan for Good Places to Learn Stage 2, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	6,182,233	6,379,090
Capital loan for Good Places to Learn Stage 3, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	3,313,437	3,408,822
Capital loan for Good Places to Learn Stage 4, interest rate of 5.23% with a 25 year term, maturing April 13, 2035	3,580,291	3,672,984
Capital loan for Primary Class Size, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	1,348,616	1,391,560
Capital loan for Primary Class Size, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	242,641	249,626
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	2,573,448	2,638,846
Capital loan for Prohibitive to Repair Projects – Little Falls interest rate of 3.97% with a 25 year term, maturing November 15, 2036	6,790,070	6,974,169
Capital loan for Capital Priorities Projects – Maitland River interest rate of 4.003% with a 25 year term, maturing March 11, 2039	9,278,305	-
<b>Total capital loans</b>	<b>46,011,956</b>	<b>37,884,205</b>
Capital lease with interest rate of 4.95% maturing in accordance with schedule below	35,005	100,974
<b>Total capital leases</b>	<b>35,005</b>	<b>100,974</b>
<b>Total long-term financing</b>	<b>46,046,961</b>	<b>37,985,179</b>

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

August 31, 2014

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

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

	<b>Principal</b> \$	<b>Interest</b> \$	<b>Total</b> \$
2015	1,428,755	2,052,841	3,481,596
2016	1,494,514	1,987,440	3,481,954
2017	1,563,324	1,919,003	3,482,327
2018	1,635,328	1,847,391	3,482,719
2019	1,710,677	1,772,453	3,483,130
Thereafter	38,179,358	15,290,419	53,469,777
	<b>46,011,956</b>	<b>24,869,547</b>	<b>70,881,503</b>

During the year ended August 31, 2014, the Board made payments of \$2,965,500 (2013 - \$2,900,376) in respect to these capital loans.

The Board has a \$3,000,000 leasing facility available of which \$35,005 (2013 - \$100,974) was drawn, against which specific assets were pledged as collateral.

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

	\$
2015	35,688
2016	-
	35,688
Less imputed interest	(683)
	<b>35,005</b>

During the year ended August 31, 2014 the Board made payments of \$69,112 (2013 - \$177,987) in respect to these capital leases.

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

August 31, 2014

### 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, 2014 is comprised of:

	Balance at August 31, 2013 \$	Externally restricted funds received \$	Revenue recognized in year \$	Transfers to deferred capital contributions \$	Balance at August 31, 2014 \$
<b>Operating deferred revenue:</b>					
Ministry of Education	2,044,980	8,010,981	(9,635,707)	-	420,254
Other Provincial Ministries	46,887	165,334	(26)	-	212,195
International Education					
Amounts	620,550	723,332	-	-	1,343,882
Other	85,893	89,248	(19,207)	-	155,934
<b>Total operating deferred revenue</b>	<b>2,798,310</b>	<b>8,988,895</b>	<b>(9,654,940)</b>	<b>-</b>	<b>2,132,265</b>
<b>Capital deferred revenue:</b>					
Assets held for sale	881,898	(881,898)	-	-	-
Childcare retrofit grant	500,865	319,500	-	(16,156)	804,209
Proceeds on disposition of facilities	2,460,654	1,016,926	-	(899,960)	2,577,620
School condition improvement	953,391	1,451,879	-	(1,676,262)	729,008
School renewal	1,355,531	3,119,605	(123,799)	(2,621,193)	1,730,144
School fundraising	80,986	110,008	-	(133,947)	57,047
<b>Total capital deferred revenue</b>	<b>6,233,325</b>	<b>5,136,020</b>	<b>(123,799)</b>	<b>(5,347,518)</b>	<b>5,898,028</b>
<b>Total deferred revenue</b>	<b>9,031,635</b>	<b>14,124,915</b>	<b>(9,778,739)</b>	<b>(5,347,518)</b>	<b>8,030,293</b>

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

August 31, 2014

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

Retirement and other employee future benefit liabilities as of August 31, 2014 consist of the following:

	2014			2013	
	Retirement gratuities	Post retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$	\$
Accrued employee future benefit obligations	18,883,799	741,788	926,209	20,551,796	20,831,313
Unamortized actuarial gains (losses)	(451,496)	-	-	(451,496)	617,687
Employee future benefits liability as of August 31	18,432,303	741,788	926,209	20,100,300	21,449,000

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

	2014			2013	
	Retirement gratuities	Post retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$	\$
Current year benefit cost	-	-	170,449	170,449	(2,497,256)
Interest on accrued benefit obligation	614,959	27,812	23,365	666,136	774,038
Amortized loss (gain)	(59,375)	(4,543)	32,599	(31,319)	(11,587)
Plan amendment gain	-	-	-	-	(2,498,891)
Current year expense	555,584	23,269	226,413	805,266	(4,233,696)
Total payments made during the year	1,655,975	199,035	298,956	2,153,966	2,832,126

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

August 31, 2014

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

In 2013, 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 retired by August 31, 2013. 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 14.6% of earnings for the period. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2014, the Board contributed \$2,175,743 (2013 - \$2,031,509) 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.

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

August 31, 2014

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

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

##### **(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. Effective September 1, 2013, employees retiring on or after this date do not qualify for Board subsidized premiums or contributions.

#### **(b) Other employee future benefits**

##### **(i) 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. The total amount of the unfunded liability as of August 31, 2014 is \$829,154 (2013 - \$893,482). This amount has been actuarially determined.

##### **(ii) 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 \$129,654 (2013 - \$126,117). The total amount of the liability as of August 31, 2014 is \$97,055 (2013 - \$63,410).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2014. This actuarial valuation is based on assumptions about future events.

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

August 31, 2014

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

**(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, 2014. 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>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
Inflation	2.00	2.00
Wage and salary escalation, retirement gratuities and post-retirement benefits	Nil	Nil
Wage and salary escalation, other employee future benefits	2.00	Nil
Insurance and health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 4%	8.50	8.75
Dental health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 3%	4.50	4.75
Discount on accrued benefit obligations	2.85	3.40

**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>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	120,662,114	110,179,703
Additions to deferred capital contributions	13,088,230	19,606,153
Revenue recognized in the period for deferred capital contributions amortization	(7,338,651)	(7,940,343)
Revenue recognized in the period for tangible capital asset disposal	(4,705)	-
Transfer to deferred revenue	-	(1,183,399)
<b>Balance, end of year</b>	<b>126,406,988</b>	<b>120,662,114</b>

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

August 31, 2014

**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>2014</b>		<b>2013</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Expense			
Salary and wages	129,357,953	128,720,526	128,063,590
Employee benefits, operating	19,848,600	17,423,308	17,156,714
Employee benefits, plan amendments, curtailments, terminations and true-ups	-	-	(5,288,891)
Staff development	878,630	849,510	592,775
Supplies and services	12,985,220	14,024,611	12,901,971
Interest	1,752,965	1,904,819	1,794,863
Rental expenditures	473,039	422,317	435,790
Fees and contract services	14,784,305	14,777,400	14,596,683
Other	400,219	464,657	480,093
Amortization and write-downs of tangible capital assets	7,408,916	7,449,434	8,276,184
Loss on disposal	-	-	19,003
School funded activities	6,650,000	6,320,340	6,134,113
	<b>194,539,847</b>	<b>192,356,922</b>	<b>185,162,888</b>

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

August 31, 2014

**10. TANGIBLE CAPITAL ASSETS**

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

	<b>2014</b>	<b>2013</b>
	\$	\$
Buildings (40 Years)	118,327,792	112,869,006
Buildings (20 Years)	126,640	94,660
Construction in progress	1,555,770	1,742,902
Portable structures	765,632	712,020
Land	4,535,566	4,351,721
Pre-acquisition, land	-	-
Land improvements	3,539,292	3,425,467
Furniture	680,814	616,450
First time equipping	666,755	564,441
Equipment	783,102	691,857
Computer hardware	2,573,323	1,783,729
Computer software	385,609	412,843
Vehicles	97,097	103,352
Leased assets – computer hardware	38,741	169,399
Leasehold improvements	25,697	19,538
	<b>134,101,830</b>	<b>127,557,385</b>

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

August 31, 2014

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

Gross book value	Balance at Aug 31/13 \$	Additions to Aug 31/14 \$	Disposals/ write-downs to Aug 31/14 \$	Transfer to assets held for Sale Aug 31/14 \$	Balance at Aug 31/14 \$
Buildings (40 Years)	168,611,232	10,945,169	-	-	179,556,401
Buildings (20 Years)	99,405	37,901	-	-	137,306
Construction in progress	1,742,902	(187,132)	-	-	1,555,770
Portable structures	803,099	96,127	-	-	899,226
Land	4,351,721	183,845	-	-	4,535,566
Pre-acquisition, land	-	-	-	-	-
Land improvements	4,778,390	702,418	-	-	5,480,808
Furniture	931,004	164,011	(33,083)	-	1,061,932
First time equipping	670,476	178,127	(2,815)	-	845,788
Equipment	1,169,393	223,890	(64,889)	-	1,328,394
Computer hardware	3,011,269	1,466,684	(422,461)	-	4,055,492
Computer software	810,880	140,424	(124,559)	-	826,745
Vehicles	377,871	28,677	(15,458)	-	391,090
Leased assets – computer hardware	919,169	-	(531,755)	-	387,414
Leasehold improvements	24,423	18,443	-	-	42,866
	188,301,234	13,998,584	(1,195,020)	-	201,104,798

Accumulated amortization	Balance at Aug 31/13 \$	Additions to Aug 31/14 \$	Disposals/ write-downs to Aug 31/14 \$	Transfer to assets held for sale Aug 31/14 \$	Balance at Aug 31/14 \$
Buildings (40 Years)	(55,742,226)	(5,486,383)	-	-	(61,228,609)
Buildings (20 Years)	(4,745)	(5,921)	-	-	(10,666)
Construction in progress	-	-	-	-	-
Portable structures	(91,079)	(42,515)	-	-	(133,594)
Land	-	-	-	-	-
Pre-acquisition, land	-	-	-	-	-
Land improvements	(1,352,923)	(588,593)	-	-	(1,941,516)
Furniture	(314,554)	(99,647)	33,083	-	(381,118)
First time equipping	(106,035)	(75,813)	2,815	-	(179,033)
Equipment	(477,536)	(127,259)	59,503	-	(545,292)
Computer hardware	(1,227,540)	(677,090)	422,461	-	(1,482,169)
Computer software	(398,037)	(167,658)	124,559	-	(441,136)
Vehicles	(274,519)	(34,932)	15,458	-	(293,993)
Leased assets – computer hardware	(749,770)	(130,658)	531,755	-	(348,673)
Leasehold improvements	(4,885)	(12,284)	-	-	(17,169)
	(60,743,849)	(7,448,753)	1,189,634	-	(67,002,968)

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

August 31, 2014

### 11. ACCUMULATED SURPLUS (DEFICIT)

The accumulated deficit consists of the following:

	2014 \$	2013 \$
<b>Surplus:</b>		
Operating accumulated surplus	4,324,063	4,418,926
Amounts restricted for future use by board motion	6,124,997	6,773,817
School generated funds	2,113,304	2,028,711
Net investment in tangible capital assets	7,694,842	7,086,574
<b>Total surplus amounts</b>	<b>20,257,206</b>	<b>20,308,028</b>
<b>Unfunded amounts:</b>		
Employee benefits	(18,352,122)	(20,489,246)
Not permanently financed amounts	(604,145)	(517,414)
<b>Total unfunded amounts</b>	<b>(18,956,267)</b>	<b>(21,006,660)</b>
<b>Total surplus (deficit)</b>	<b>1,300,939</b>	<b>(698,632)</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	2014 \$	2013 \$
<b>Balance, opening</b>	2,150,017	2,108,054
Add		
Trust funds received in year	190,970	140,309
Investment income	38,721	40,552
	2,379,708	2,288,915
Deduct awards	(173,042)	(138,898)
<b>Balance, closing</b>	<b>2,206,666</b>	<b>2,150,017</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 February 3, 2016 and yield between 1.775% and 1.9%. The cash deposits were earning 1.00% at August 31, 2014.

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, 2014 was \$1,293,301 (2013 - \$883,735).

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

August 31, 2014

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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, 2014. 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>
2015	2,082,275	286,411	2,368,686
2016	-	26,796	26,796
2017	-	26,796	26,796
2018	-	4,466	4,466
2019	-	-	-
	<b>2,082,275</b>	<b>344,469</b>	<b>2,426,744</b>

### 14. SUBSEQUENT EVENT

On September 9, 2014 the Board of Trustees approved a construction tender for the North Perth Elementary School. The net cost to the Board of the tender contract, after factoring in sales tax rebates, is \$13,177,005.

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

August 31, 2014

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**15. 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, 2014 was \$11,487,813 (2013 - \$11,219,602), the Board’s non-administration expenses totaled \$11,129,700 (2013 - \$11,019,400) and the Board’s receivable at August 31, 2014 was \$73,750 (2013 - \$86,612).

	2014		2013	
	Total \$	Board portion \$	Total \$	Board portion \$
Administration expenses	476,281	353,675	457,550	346,765

**16. 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, 2014, with comparative information for 2013

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
School fundraising		
Elementary	3,616,252	3,324,899
Secondary	2,788,681	2,596,567
<b>Total revenues</b>	<b>6,404,933</b>	<b>5,921,466</b>
<b>EXPENSES</b>		
School funded activities		
Elementary	3,558,109	3,424,293
Secondary	2,762,231	2,790,820
<b>Total expenses</b>	<b>6,320,340</b>	<b>6,134,113</b>
<b>Net revenue</b>	<b>84,593</b>	<b>(212,647)</b>
School activities fund, opening	2,028,711	2,241,358
<b>School activities fund, closing</b>	<b>2,113,304</b>	<b>2,028,711</b>