

Consolidated Financial Statements of

**Avon Maitland District School Board**

August 31, 2018

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

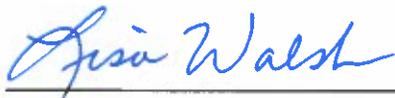
The accompanying consolidated financial statements of the Avon Maitland District School Board are the responsibility of the Board Management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation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

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

Board Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.



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Lisa Walsh  
Director of Education  
and Secretary of the Board



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Cheri Carter  
Associate Superintendent of Financial  
Services and Treasurer

Date: November 13, 2018



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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, 2018, the consolidated statements of operations and accumulated surplus, cash flows and change in net debt for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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



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

*Opinion*

In our opinion, the consolidated financial statements of Avon Maitland District School Board as at and for the year ended August 31, 2018 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.

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, long, horizontal stroke that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

November 13, 2018

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

As at August 31, 2018, with comparative information for 2017

	2018 \$	2017 \$
<b>FINANCIAL ASSETS</b>		
Cash (note 16)	10,398,695	9,219,683
Accounts receivable	8,828,982	8,640,272
Accounts receivable, Province of Ontario	221,598	224,006
Accounts receivable, Province of Ontario – Capital debt grant (note 2)	51,191,843	54,129,222
Investments (note 16)	824	655
Assets held for sale (note 3)	-	-
<b>Total financial assets</b>	<b>70,641,942</b>	<b>72,213,838</b>
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	10,683,130	12,286,679
Long-term financing (note 5)	43,783,568	45,532,596
Deferred revenue (note 6)	6,446,317	5,460,164
Retirement and other employee future benefits payable (note 7)	13,804,702	15,164,119
Deferred capital contributions (note 8)	152,372,165	148,352,340
<b>Total financial liabilities</b>	<b>227,089,882</b>	<b>226,795,898</b>
<b>Net debt</b>	<b>(156,447,940)</b>	<b>(154,582,060)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	1,063,651	951,148
Tangible capital assets (note 10)	160,755,161	156,739,044
<b>Total non-financial assets</b>	<b>161,818,812</b>	<b>157,690,192</b>
Commitments and contingencies (note 13)		
<b>Accumulated surplus (note 11)</b>	<b>5,370,872</b>	<b>3,108,132</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**

For the year ended August 31, 2018, with comparative information for 2017

	<b>2018</b>		<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	\$	\$	\$
<b>REVENUES</b>			
Provincial grants - student focused funding	194,246,081	193,686,527	185,481,773
Provincial grants - other	8,562,760	8,914,449	6,088,264
Federal grants and fees (Service Canada)	272,091	331,812	241,936
Other revenues - school boards	166,863	251,077	196,715
Other fees and revenues	3,042,222	3,372,587	2,819,929
Investment income	120,000	147,430	113,161
School generated funds (note 16)	5,612,000	5,610,798	5,643,251
<b>Total revenues</b>	<b>212,022,017</b>	<b>212,314,680</b>	<b>200,585,029</b>
<b>EXPENSES (note 9)</b>			
Instruction	159,082,789	159,071,335	151,332,302
Administration	5,800,626	5,790,356	5,568,951
Transportation	11,982,086	12,212,303	11,653,235
Pupil accommodation	27,259,741	27,004,275	25,800,196
Other	383,084	392,206	367,171
School generated funds activities (note 16)	5,612,000	5,581,465	5,746,808
<b>Total expenses</b>	<b>210,120,326</b>	<b>210,051,940</b>	<b>200,468,663</b>
<b>Annual surplus</b>	<b>1,901,691</b>	<b>2,262,740</b>	<b>116,366</b>
Accumulated surplus, opening	2,991,766	3,108,132	2,991,766
<b>Accumulated surplus, closing (note 11)</b>	<b>4,893,457</b>	<b>5,370,872</b>	<b>3,108,132</b>

See accompanying notes to consolidated financial statements

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

For the year ended August 31, 2018, with comparative information for 2017

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>OPERATING TRANSACTIONS</b>		
Annual surplus	2,262,740	116,366
Changes in non-cash items		
Amortization of tangible capital assets	9,801,542	8,999,644
Revenue from deferred capital contributions	(9,669,447)	(8,866,760)
Changes in non-cash assets and liabilities		
Increase in accounts receivable	(186,302)	(704,296)
Decrease in assets held for sale	-	570,000
Increase (decrease) in accounts payable and accrued liabilities	(1,603,549)	2,881,095
Increase in deferred revenue – operating, net	150,370	943,509
Decrease in retirement and other employee future benefit payable	(1,359,417)	(1,815,533)
Increase in prepaid expenses	(112,503)	(69,730)
<b>Net increase (decrease) in cash from operating transactions</b>	<b>(716,565)</b>	<b>2,054,295</b>
<b>CAPITAL TRANSACTIONS</b>		
Cash used to acquire tangible capital assets	(13,817,659)	(15,234,056)
<b>Net decrease in cash from capital transactions</b>	<b>(13,817,659)</b>	<b>(15,234,056)</b>
<b>INVESTING TRANSACTIONS</b>		
Cash applying to investing transactions	(169)	(120)
<b>Net decrease in cash from investing transactions</b>	<b>(169)</b>	<b>(120)</b>
<b>FINANCING TRANSACTIONS</b>		
Long-term financing repayments	(1,749,028)	(1,673,426)
Decrease (Increase) in accounts receivable – capital	2,937,379	(2,748,805)
Additions to deferred capital contributions, net of transfers to deferred revenue	13,689,272	15,163,635
Increase (decrease) in deferred revenue – capital, net	835,783	(390,343)
<b>Cash provided by financing transactions</b>	<b>15,713,405</b>	<b>10,351,061</b>
<b>Change in Cash</b>	<b>1,179,012</b>	<b>(2,828,820)</b>
Cash opening	9,219,683	12,048,503
<b>Cash closing</b>	<b>10,398,695</b>	<b>9,219,683</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, 2018, with comparative information for 2017

	<b>2018</b>	<b>2017</b>
	\$	\$
Annual surplus	2,262,740	116,366
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of tangible capital assets	(13,817,659)	(15,234,056)
Amortization of tangible capital assets	9,801,542	8,999,644
<b>Total tangible capital assets activity</b>	<b>(4,016,117)</b>	<b>(6,234,412)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Acquisition of prepaid expenses	(1,063,651)	(951,148)
Use of prepaid expenses	951,148	881,418
<b>Total other non-financial asset activity</b>	<b>(112,503)</b>	<b>(69,730)</b>
<b>Increase in net debt</b>	<b>(1,865,880)</b>	<b>(6,187,776)</b>
Net debt, opening	(154,582,060)	(148,394,284)
<b>Net debt, closing</b>	<b>(156,447,940)</b>	<b>(154,582,060)</b>

*See accompanying notes to consolidated financial statements*

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements

For the year ended August 31, 2018

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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 (continued)**

For the year ended August 31, 2018

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

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

As a result, revenue recognized in the Consolidated Statement of Operations and Accumulated Surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

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

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

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are deemed to be controlled by the Board are reflected in the consolidated financial statements. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

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

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

#### **(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 (continued)

For the year ended August 31, 2018

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Deferred capital contributions

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

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

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

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, dental and life insurance, retirement gratuity, compensated absences and workers' compensation benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally, and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts ("ELHTs") were established in 2016-17: ETFO and OSSTF. The following ELHT was established in 2017-18: ONE-T, for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining employee groups, school board trustees associations and the Government of Ontario. The Board is no longer responsible to provide certain benefits to Elementary and Secondary teachers, support staff that fall within the OSSTF bargaining unit, Non-unionized employees and principals and vice-principals. Upon transition of the employee groups' health, dental and life benefits plan to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs, additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

Depending on prior arrangements and employee group, the Board provides health, dental and life insurance benefits for retired individuals and the following employee groups: Elementary and secondary teachers, support staff and custodial and maintenance staff. The Board continues to have a liability for payment of benefits under these plans.

# Avon Maitland District School Board

## Notes to Consolidated Financial Statements (continued)

For the year ended August 31, 2018

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### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

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

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

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

#### (i) Tangible capital assets

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

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

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

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

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

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

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

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

**(j) Government transfers**

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

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

**(k) Investment income**

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

# **Avon Maitland District School Board**

## **Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

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

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

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

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

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

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

### **2. ACCOUNTS RECEIVABLE, PROVINCE OF ONTARIO – CAPITAL DEBT GRANT**

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 \$51,191,843 (2017 - \$54,129,222) as at August 31, 2018 with respect to capital grants.

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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**3. ASSETS HELD FOR SALE**

As of August 31, 2018, assets held for sale consisted of Nil (2017 – Nil) related to buildings, Nil (2017 – Nil) related to land improvements and Nil (2017 – Nil) related to land.

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

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	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	-	570,000
Transfer to Assets Held for Sale in year	-	-
Less: Proceeds on assets sold in year	-	(558,420)
Less: Loss on disposal of assets sold in year	-	(11,580)
<b>Balance, end of year</b>	<b>-</b>	<b>-</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 (2017 – Nil) was drawn at August 31, 2018.

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

**5. LONG-TERM FINANCING**

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

	<b>2018</b>	<b>2017</b>
	\$	\$
Capital loan for Good Places to Learn Stage 1, interest rate of 4.56% with a 25 year term, maturing November 15, 2031	10,612,989	11,171,320
Capital loan for Good Places to Learn Stage 2, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	5,292,197	5,531,114
Capital loan for Good Places to Learn Stage 3, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	2,880,431	2,996,930
Capital loan for Good Places to Learn Stage 4, interest rate of 5.23% with a 25 year term, maturing April 13, 2035	3,157,713	3,271,677
Capital loan for Primary Class Size, interest rate of 4.90% with a 25 year term, maturing March 3, 2033	1,154,461	1,206,579
Capital loan for Primary Class Size, interest rate of 5.06% with a 25 year term, maturing March 13, 2034	210,932	219,463
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	2,278,260	2,357,424
Capital loan for Prohibitive to Repair Projects – Little Falls interest rate of 3.97% with a 25 year term, maturing November 15, 2036	5,976,843	6,192,291
Capital loan for Capital Priorities Projects – Maitland River interest rate of 4.003% with a 25 year term, maturing March 11, 2039	8,326,209	8,578,565
Capital loan for New Pupil Places Project – Listowel District Secondary School interest rate of 3.242% with a 25 year term maturing March 15, 2041	3,893,533	4,007,233
<b>Total long-term financing</b>	<b>43,783,568</b>	<b>45,532,596</b>

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

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

	Principal \$	Interest \$	Total \$
2019	1,828,093	1,896,771	3,724,864
2020	1,910,780	1,814,645	3,725,425
2021	1,997,256	1,728,548	3,725,804
2022	2,087,699	1,638,610	3,726,309
2023	2,182,290	1,544,545	3,726,835
Thereafter	33,777,450	10,073,864	43,851,314
	43,783,568	18,696,983	62,480,551

During the year ended August 31, 2018, the Board made payments of \$3,736,333 (2017 - \$3,736,333), of which \$1,749,028 (2017 - \$1,673,426) is principal, in respect to these capital loans.

The Board has a \$3,000,000 leasing facility available of which Nil (2017 - Nil) was drawn, against which specific assets were pledged as collateral.

**6. DEFERRED REVENUE**

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreements are included in deferred revenues and reported on the Consolidated Statement of Financial Position. Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2018 is comprised of:

	Balance at August 31, 2017 \$	Externally restricted funds received \$	Revenue recognized in year \$	Transfers to deferred capital contributions \$	Balance at August 31, 2018 \$
<b>Operating deferred revenue:</b>					
Ministry of Education	162,128	4,384,450	(4,240,758)	-	305,820
Other Provincial Ministries	561,100	4,779,431	(4,505,816)	-	834,715
International Education					
Amounts	2,244,150	1,961,235	(2,244,150)	-	1,961,235
Other	111,674	569,207	(553,229)	-	127,652
<b>Total operating deferred revenue</b>	3,079,052	11,694,323	(11,543,953)	-	3,229,422
<b>Capital deferred revenue:</b>					
Childcare retrofit grant	659,305	-	-	-	659,305
Proceeds on disposition of facilities	1,165,043	-	-	(85,145)	1,079,898
School renewal	399,070	3,611,879	(248,474)	(2,409,471)	1,353,004
School fundraising	157,694	153,625	-	(186,631)	124,688
<b>Total capital deferred revenue</b>	2,381,112	3,765,504	(248,474)	(2,681,247)	3,216,895
<b>Total deferred revenue</b>	5,460,164	15,459,827	(11,792,427)	(2,681,247)	6,446,317

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

Retirement and other employee future benefit liabilities as of August 31, 2018 consist of the following:

	2018			2017	
	Retirement gratuities \$	Post retirement benefits \$	Other employee future benefits \$	Total employee future benefits \$	Total employee future benefits \$
Accrued employee future benefit obligations	12,257,136	573,759	1,930,172	14,761,067	16,579,784
Unamortized actuarial losses	(956,365)	-	-	(956,365)	(1,415,665)
Employee future benefits liability as of August 31	11,300,771	573,759	1,930,172	13,804,702	15,164,119

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

	2018			2017	
	Retirement gratuities \$	Post retirement benefits \$	Other employee future benefits \$	Total employee future benefits \$	Total employee future benefits \$
Current year benefit cost	-	-	895,565	895,565	369,276
Interest on accrued benefit obligation	337,753	17,874	39,961	395,588	365,042
Recognized actuarial losses (gains)	182,491	(4,597)	(3,551)	174,343	236,138
Current year expense	520,244	13,277	931,975	1,465,496	970,456
Total payments made during the year	2,098,062	280,939	445,912	2,824,913	2,785,989

**(a) Retirement benefits**

The Board provides retirement benefits to employees as follows:

(i) Ontario Teacher's Pension Plan

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

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employee contribution rates were up to 14.6% of earnings for the period. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed \$2,490,154 (2017 - \$2,416,363) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

(iii) Retirement gratuities

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

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

The Board sponsors a separate plan for retirees to provide group health care and dental benefits. The premiums are based on the Board experience and retirees' premiums may be subsidized by the board. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date do not qualify for Board subsidized premiums or contributions.

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

**(b) Other employee future benefits**

(i) Workplace Safety and Insurance Board obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act (the "Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The related benefit costs and liabilities are included in the Board's consolidated financial statements. School Boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision. The total amount of the unfunded liability as of August 31, 2018 is \$1,826,309 (2017 - \$1,347,821). This amount has been actuarially determined.

(ii) Sick leave top-up benefits

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefits cost expensed in the financial statements are \$100,312 (2017 – \$101,223). The total amount of the liability as of August 31, 2018 is \$103,863 (2017 - \$96,288).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

**(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, 2018. 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:

	2018 %	2017 %
Inflation	1.5	1.5
Wage and salary escalation, retirement gratuities and post-retirement benefits	Nil	Nil
Wage and salary escalation, other employee future benefits	2.00	2.00
Insurance and health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 4%	7.50	7.75
Dental health care cost escalation, reduced by ¼ % per subsequent year until ultimate rate increase of 3%	3.50	3.75
Discount on accrued benefit obligations	2.90	2.55

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

**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>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balance, beginning of year	148,352,340	142,055,465
Additions to deferred capital contributions	13,689,272	15,163,635
Revenue recognized in the period for deferred capital contributions amortization	(9,669,447)	(8,866,760)
<b>Balance, end of year</b>	<b>152,372,165</b>	<b>148,352,340</b>

**9. EXPENSES BY OBJECT**

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

	<b>2018</b>		<b>2017</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating Expense			
Salary and wages	136,693,021	136,487,291	132,131,931
Employee benefits, operating	22,924,125	22,726,771	19,735,748
Staff development	1,078,004	991,636	1,050,405
Supplies and services	14,169,107	14,586,646	14,152,995
Interest	1,987,304	1,964,360	2,043,316
Rental expenditures	355,367	359,277	340,663
Fees and contract services	16,779,898	17,046,542	15,842,071
Other	426,736	419,410	413,502
Transfer to other Boards	87,000	87,000	-
Amortization of tangible capital assets	10,007,764	9,801,542	8,999,644
Loss on disposal	-	-	11,580
School funded activities	5,612,000	5,581,465	5,746,808
	<b>210,120,326</b>	<b>210,051,940</b>	<b>200,468,663</b>

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

**10. TANGIBLE CAPITAL ASSETS**

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Buildings (40 Years)	142,951,046	139,587,376
Buildings (20 Years)	99,168	106,036
Construction in progress	139,920	-
Portable structures	884,497	630,878
Land	5,584,507	5,456,119
Land improvements	4,837,836	4,989,770
Furniture	763,231	736,582
First time equipping	994,301	1,122,689
Equipment	890,291	855,268
Computer hardware	3,265,138	2,987,257
Computer software	199,444	153,033
Vehicles	145,782	113,197
Leasehold improvements	-	839
	<b>160,755,161</b>	<b>156,739,044</b>

<b>Gross book value</b>	<b>Balance at Aug 31/17 \$</b>	<b>Additions to Aug 31/18 \$</b>	<b>Disposals/ write-downs to Aug 31/18 \$</b>	<b>Transfer to assets held for Sale Aug 31/18 \$</b>	<b>Balance at Aug 31/18 \$</b>
Buildings (40 Years)	218,261,284	10,598,362	-	-	228,859,646
Buildings (20 Years)	137,306	-	-	-	137,306
Construction in progress	-	139,920	-	-	139,920
Portable structures	899,226	306,192	-	-	1,205,418
Land	5,456,119	128,388	-	-	5,584,507
Land improvements	8,264,309	374,768	-	-	8,639,077
Furniture	1,271,518	138,453	(49,004)	-	1,360,967
First time equipping	1,682,340	41,726	(4,118)	-	1,719,948
Equipment	1,538,030	205,524	(95,244)	-	1,648,310
Computer hardware	5,945,171	1,691,270	(887,571)	-	6,748,870
Computer software	328,900	121,051	(72,935)	-	377,016
Vehicles	367,266	72,005	(23,257)	-	416,014
Leasehold improvements	42,866	-	-	-	42,866
	<b>244,194,335</b>	<b>13,817,659</b>	<b>(1,132,129)</b>	<b>-</b>	<b>256,879,865</b>

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

Accumulated amortization	Balance at Aug 31/17 \$	Additions to Aug 31/18 \$	Disposals/ write-downs to Aug 31/18 \$	Transfer to assets held for sale Aug 31/18 \$	Balance at Aug 31/18 \$
Buildings (40 Years)	(78,673,908)	(7,234,692)	-	-	(85,908,600)
Buildings (20 Years)	(31,270)	(6,868)	-	-	(38,138)
Construction in progress	-	-	-	-	-
Portable structures	(268,348)	(52,573)	-	-	(320,921)
Land	-	-	-	-	-
Land improvements	(3,274,539)	(526,702)	-	-	(3,801,241)
Furniture	(534,936)	(111,804)	49,004	-	(597,736)
First time equipping	(559,651)	(170,114)	4,118	-	(725,647)
Equipment	(682,762)	(170,501)	95,244	-	(758,019)
Computer hardware	(2,957,914)	(1,413,389)	887,571	-	(3,483,732)
Computer software	(175,867)	(74,640)	72,935	-	(177,572)
Vehicles	(254,069)	(39,420)	23,257	-	(270,232)
Leasehold improvements	(42,027)	(839)	-	-	(42,866)
	(87,455,291)	(9,801,542)	1,132,129	-	(96,124,704)

**a) Construction in progress**

Assets under construction having a value of \$139,920 (2017 - Nil) have not been amortized. Amortization of these assets will commence when the asset is available for productive use.

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

The write-down of tangible capital assets during the year was Nil (2017 - Nil).

**11. ACCUMULATED SURPLUS**

The accumulated surplus consists of the following:

	2018 \$	2017 \$
<b>Surplus:</b>		
Operating accumulated surplus	2,835,479	2,638,622
Amounts restricted for future use by board motion	2,573,262	2,590,522
School generated funds (note 16)	1,951,732	1,922,399
Net investment in tangible capital assets	8,382,997	8,386,704
<b>Total surplus amounts</b>	<b>15,743,470</b>	<b>15,538,247</b>
<b>Unfunded amounts:</b>		
Employee benefits	(9,806,640)	(11,841,213)
Not permanently financed amounts	(565,958)	(588,902)
<b>Total unfunded amounts</b>	<b>(10,372,598)</b>	<b>(12,430,115)</b>
<b>Total surplus</b>	<b>5,370,872</b>	<b>3,108,132</b>

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

**12. TRUST FUNDS**

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

<b>General Student Awards Trust Fund</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Balance, opening</b>	2,151,173	2,124,331
Add		
Trust funds received in year	284,682	128,753
Investment income	42,956	37,052
	2,478,811	2,290,136
Deduct awards	(157,818)	(138,963)
<b>Balance, closing</b>	<b>2,320,993</b>	<b>2,151,173</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, 2020 and yield between 2.0% and 2.9%. The cash deposits were earning 1.95% at August 31, 2018.

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, 2018 was \$994,861 (2017 - \$1,197,523).

**Avon Maitland District School Board  
Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

**13. COMMITMENTS AND CONTINGENCIES**

The Board is a member of the Ontario School Board Insurance Exchange ("OSBIE") for a period, which ends December 31, 2018. OSBIE is a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Members are assessed premiums on an annual basis and should premiums collected not be sufficient to cover actual losses incurred, an additional assessment may be levied. The occurrence of future losses and their impact on future premiums is not determinable.

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

The Board has commitments with respect to operating leases for buildings, capital purchases and other amounts. The total payable with respect to these commitments during the upcoming year is \$1,656,380 (2017 - \$ 1,732,511) for capital projects and \$232,585 (2017 - \$196,532) for operating leases.

**14. TRANSPORTATION CONSORTIA**

Transportation services for the Board are provided in partnership with the Huron-Perth Catholic District School, by the Consortia Huron Perth Student Transportation Services ("HPSTS"). Under the formal agreement, decisions related to the financial and operating activities of the Consortia are shared, with no partner exercising unilateral control. Direct costs incurred by the Board are paid directly while the shared costs for the administration of HPSTS are pro-rated based on student rider-ship as outlined in the agreement. The Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred and its pro-rata share of revenues and expenses.

The Board's total transportation revenues for the period ending August 31, 2018 was \$12,164,341 (2017 - \$11,628,095), the Board's non-administration expenses totaled \$11,862,968 (2017 - \$11,247,131) and the Board's receivable at August 31, 2018 was \$142,839 (2017 - \$61,002).

	2018		2017	
	Total \$	Board portion \$	Total \$	Board portion \$
Administration expenses	481,913	349,335	540,069	406,104

**Avon Maitland District School Board**  
**Notes to Consolidated Financial Statements (continued)**

For the year ended August 31, 2018

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

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

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

**16. SCHOOL GENERATED FUNDS**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUES</b>		
School fundraising		
Elementary	3,436,762	3,345,606
Secondary	2,174,036	2,297,645
<b>Total revenues</b>	<b>5,610,798</b>	<b>5,643,251</b>
<b>EXPENSES</b>		
School funded activities		
Elementary	3,403,978	3,374,003
Secondary	2,177,487	2,372,806
<b>Total expenses</b>	<b>5,581,465</b>	<b>5,746,809</b>
<b>Net revenue (deficiency)</b>	<b>29,333</b>	<b>(103,558)</b>
School activities fund, opening	1,922,399	2,025,957
<b>School activities fund, closing</b>	<b>1,951,732</b>	<b>1,922,399</b>

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