

REPORT OF THE AUDIT COMMITTEE

2018 November 13
3:33 p.m. – 5:08 p.m.

MEMBERS PRESENT

A. Morell (Chair) M. Laprise (-5:00)
M. Reid M. King
R. Tisdale

ADMINISTRATION AND OTHERS

C. Beal(-5:04) L. Elliott(-5:04)
J. Pratt(-5:04) B. Williams
J. Knight(-5:04) E. Otsuka
S. Macey(-5:04) P. Hearse(-5:04)
C. Dowding S. Hunt (-5:02; Trustee
elect)

1. CALL TO ORDER

On motion the meeting was called to order by Committee Chair A. Morell at 3:33 p.m.

2. APPROVAL OF AGENDA

The agenda was approved by motion noting agenda items 6.a and 6.b would be presented and discussed in reverse order.

3. CONFLICTS OF INTEREST - none declared**4. MINUTES OF THE PREVIOUS MEETING**

The minutes of the 2018 October 9 meeting of the Audit Committee were provided for information.

5. REPORT OF THE AUDIT COMMITTEE ON THE 2018 AUDIT - DELOITTE

C. Dowding of Deloitte presented the *Report to the Audit Committee on the 2018 Audit*. The audit was conducted in accordance with Canadian generally accepted auditing standards. C. Dowding summarized the audit completed. Appreciation was extended to school Auditor E. Grosvenor, as Deloitte relies on the work she performs when they do their audit. There were no significant risks or qualifications on the audit report.

6. 2017-2018 AUDITED FINANCIAL STATEMENTS**a. 2017-2018 AUDITED FINANCIAL STATEMENTS RECOMMENDATIONS TO THE BOARD**

C. Beal presented for approval the draft consolidated Audited Financial Statements for the period ending 2018 August 31 (see Audit-1). Line items on the Consolidate Statement of Financial Position were explained. Discussion considered the Accumulated Surplus amounts. C. Beal explained the Ministry GSN holdback of \$27M in September noting the impact on interest income and cash flow.

The revenues listed on the Consolidated Statement of Operations were reviewed and explained. The reasons for the surplus in 2017-2018 were outlined. It was agreed to have C. Beal provide information about the surplus when the report is presented at the Board meeting. Questions of clarification were address by S. Macey and C. Beal.

C. Beal expressed her appreciation to Deloitte and to the Finance staff.

The following recommendation was moved and carried:

That the 2017-2018 Audited Financial Statements be approved.

b. 2017-2018 SUPPLEMENTAL REPORTS TO THE FINANCIAL STATEMENTS

S. Macey presented for approval the internal appropriations of accumulated surplus for the board and for the Thames Valley Education Foundation.

The 2017-2018 accumulated surplus appropriations, the capital surplus, and the deferred revenues were outlined. Questions of clarification were addressed by Administration.

Through discussion it was determined an additional amount of \$15M be appropriated from unappropriated accumulated surplus to address the technological infrastructure needs (video surveillance and communication system) previously presented to the board. The appropriation will allow Trustees to approve specific costs for the initiatives in the future.

C. Dowding noted schedule 5 of the Financial Statements would need to be amended.

The following recommendation was moved and carried:

THAT the 2017-2018 internal appropriations of accumulated surplus of \$23,680,833 and \$950,994 for Thames Valley Education Foundation as outlined in Chart 1 (See Audit-2), be approved.

7. EVALUATION OF THE EXTERNAL AUDITORS' PERFORMANCE

C. Beal asked committee members to complete and submit to her the *Audit Committee – Evaluation of External Auditors Performance* form.

8. IN-CAMERA

On motion, the Committee moved in camera at 5:02 p.m., reconvening in public session at 5:08 p.m.

9. ADDITIONAL ITEMS - none

10. DATE AND TIME OF NEXT MEETING

The next meeting was scheduled for 2018 January 8, 3:30 p.m..

11. ADJOURNMENT

A motion to adjourn was approved at 5:08 p.m.

RECOMMENDATIONS:

That the 2017-2018 Audited Financial Statements be approved.

THAT the 2017-2018 internal appropriations of accumulated surplus of \$23,680,833 and \$950,994 for Thames Valley Education Foundation as outlined in Chart 1 (See Audit-2), be approved.

ARLENE MORELL
Chairperson

Report and consolidated financial statements of

**Thames Valley District
School Board**

August 31, 2018

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Thames Valley District School Board

August 31, 2018

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Management Report

Management's Responsibility for the Consolidated Financial Statements

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

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

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 management and 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 Deloitte LLP, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Laura Elliott
Director of Education

November 27, 2018

Jeff Pratt
Associate Director & Treasurer

Independent Auditor's Report

To the Board of Trustees of
Thames Valley District School Board

We have audited the accompanying consolidated financial statements of the Thames Valley District School Board, which comprise the consolidated statement of financial position as at August 31, 2018 and the consolidated statements of operations, cash flows and change in net debt 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.

Auditor's 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 the auditor's 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, the auditor considers 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 the Thames Valley 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.

Chartered Professional Accountants
Licensed Public Accountants
November 27, 2018

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Thames Valley District School Board

Consolidated statement of financial position

as at August 31, 2018

(In thousands of dollars)

	2018	2017
	\$	\$
Financial assets		
Cash and cash equivalents	85,208	45,071
Accounts receivable	33,356	34,872
Accounts receivable - Government of Ontario (Note 2)	190,000	218,489
Investments (Note 4)	7,049	6,636
Total financial assets	315,613	305,068
Liabilities		
Accounts payable and accrued liabilities	48,258	51,232
Deferred revenue (Note 8)	31,900	26,328
Retirement and other employee future benefits (Note 10)	17,589	18,583
Net long-term liabilities (Note 11)	160,098	167,165
Deferred capital contributions (Note 9)	647,249	613,506
Total liabilities	905,094	876,814
Net debt	(589,481)	(571,746)
Contractual obligations and contingent liabilities (Note 15)		
Non-financial assets		
Prepaid expenses	6,349	3,028
Inventories of supplies	103	85
Tangible capital assets (Note 6)	693,957	659,958
Assets held for sale (Note 5)	-	102
Total non-financial assets	700,409	663,173
Accumulated surplus (Note 7)	110,928	91,427

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Thames Valley District School Board

Consolidated statement of operations

year ended August 31, 2018

(In thousands of dollars)

	2018 Approved budget (Unaudited) (Note 1)	2018	2017
	\$	\$	\$
Revenues			
Provincial grants - Grants for Student Needs	845,696	856,975	813,490
Provincial grants - other	7,148	16,743	10,195
Federal grants and fees	4,205	5,673	5,078
Other revenues - school boards	146	368	181
Other fees and revenues	5,741	9,625	10,294
Interest income	975	1,957	942
School generated funds (Note 21)	17,000	17,070	17,587
Amortization of deferred capital contributions	35,486	36,843	32,510
Total revenues	916,397	945,254	890,277
Expenses (Note 13)			
Instruction	713,148	712,124	677,521
Administration	24,084	24,546	22,899
Transportation	37,209	38,660	36,257
Pupil accommodation	122,533	120,135	113,975
Other	8,693	13,466	8,839
School funded activities (Note 21)	17,000	16,822	17,848
Total expenses	922,667	925,753	877,339
Annual surplus	(6,270)	19,501	12,938
Accumulated surplus, beginning of year	71,335	91,427	78,489
Accumulated surplus, end of year (Note 7)	65,065	110,928	91,427

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Thames Valley District School Board

Consolidated statement of cash flows

year ended August 31, 2018

(In thousands of dollars)

	2018	2017
	\$	\$
Operating activities		
Annual surplus	19,501	12,938
Sources and (uses)		
Non-cash items		
Amortization of tangible capital assets	38,154	33,289
Loss on sale of tangible capital assets	5	500
Revenue recognized in period for deferred capital contributions	(36,843)	(32,510)
Decrease (increase) in accounts receivable	1,516	(7,225)
Decrease in assets held for sale	102	-
(Decrease) increase in accounts payable and accrued liabilities	(2,974)	15,036
Increase in deferred revenue - operating	809	1,311
Decrease in retirement and other employee future benefits	(994)	(332)
Increase in prepaid expenses	(3,321)	(1,292)
Increase in inventories of supplies	(18)	(13)
	15,937	21,702
Capital activities		
Proceeds on sale of tangible capital assets	-	903
Acquisition of tangible capital assets	(72,158)	(79,223)
	(72,158)	(78,320)
Investing activity		
Proceeds on sale of investments	909	455
Purchase of investments	(1,322)	(427)
	(413)	28
Financing activities		
Debt repayments	(7,099)	(6,768)
Increase (decrease) in capital leases	32	(497)
Decrease (increase) in accounts receivable - Government of Ontario - Approved capital	28,489	(19,224)
Additions to deferred capital contributions	70,586	74,552
Increase in deferred revenues - capital	4,763	8,445
	96,771	56,508
Change in cash	40,137	(82)
Cash, beginning of year	45,071	45,153
Cash, end of year	85,208	45,071

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Thames Valley District School Board

Consolidated statement of changes in net debt year ended August 31, 2018

(In thousands of dollars)

	Budget	2018	2017
		\$	\$
Annual surplus	(6,270)	19,501	12,938
Tangible capital asset activity			
Amortization of tangible capital assets	36,786	38,154	33,289
Acquisition of tangible capital assets	(107,132)	(72,158)	(79,223)
Loss on sale of tangible capital assets	-	5	500
Proceeds on sale of tangible capital assets	-	-	903
	(70,346)	(33,999)	(44,531)
Other non-financial asset activity			
Increase in inventories of supplies	-	(18)	(13)
Decrease in assets held for sale	-	102	-
Increase in prepaid expenses	-	(3,321)	(1,292)
	-	(3,237)	(1,305)
Increase in net debt	(76,616)	(17,735)	(32,898)
Net debt, beginning of year	(571,746)	(571,746)	(538,848)
Net debt, end of year	(648,362)	(589,481)	(571,746)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

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Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies

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

Basis of accounting

The consolidated financial statements have been prepared in accordance with the financial reporting provision of the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and the accounting requirements of 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. 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 statement of operations 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 require 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.

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

Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Thames Valley District School Board ("the Board"), including the following:

Thames Valley Education Foundation ("Foundation")
School generated funds
Southwestern Ontario Student Transportation Services

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued)

As detailed in Note 16, decisions related to the financial and operating activities of the Southwestern Ontario Student Transportation Services are shared. No partner is in a position to exercise unilateral control. School generated funds, which include the assets, liabilities, revenues, expenses and fund balances of various organizations that exist at the school level and which are controlled by the Board, have been reflected in the consolidated financial statements.

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

Trust funds

The Board's trust funds for scholarships and awards (excluding scholarships and awards included in the Foundation) are not included in the consolidated financial statements as the Board does not control them according to PSAB Section 1300. These trust funds are administered and maintained by the Board according to the terms and conditions specified by the donor. Specifically, the Board's trust funds include both the Student Awards/Scholarships and Self-Funded Leaves. The total assets of each fund amount to \$2,021 (2017 - \$2,086) and \$2,527 (2017 - \$2,440) respectively.

Cash and cash equivalents

Cash and cash equivalents comprise 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.

Investments

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

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

A write-down of the carrying value is charged against income when evidence indicates a permanent decline in the underlying value and earnings. Gains and losses on disposition of investments are determined on a completed transaction basis. The Board's investments are governed by the Education Act while the Foundation's investments are governed by policies approved by the Foundation's Board of Directors.

Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, 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 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.

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued)

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

Asset	Estimated useful life in years
Land improvements with finite lives	15
Buildings and building improvements	40
Portable structures	20
Other buildings	20
Equipment	5-15
First-time equipping of schools	10
Furniture	10
Computer hardware	5
Computer software	5
Capital leases	Over the lease term
Leasehold improvements	Over the lease term

Assets under construction 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 net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing.

A building permanently removed from service ceases to be amortized. 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 and cultural and historic assets are not recorded as assets in these consolidated financial statements.

Deferred revenue

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

Retirement and other employee future benefits

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

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts ("ELHTs") were established in 2016-2017: ETFO and OSSTF. The following ELHTs were established in 2017-18: CUPE and 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 ETFO and OSSTF; and CUPE, and non-unionized employees including principals and vice-principals (effective 2016-17 and 2017-18 respectively). Upon transition of the employee groups' health, dental and life benefits plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency ("FTE") on a monthly basis. Funding for the ELHTs

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

is based on the existing benefits funding embedded within the Grants for Student Needs "(GSN)", 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 for all groups and continues to have a liability for payment of benefits for those who are on long-term disability and for some retirees who are retired under these plans.

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

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost 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 the actuary'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 vested or accumulated over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

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

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

Deferred capital contribution

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 contribution 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

- (i) Government transfers received or receivable for capital purpose
- (ii) Other restricted contributions received or receivable for capital purpose
- (iii) Property taxation revenues which were historically used to fund capital assets

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 "(DCC)" and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

1. Significant accounting policies (continued)

Investment income

Investment income earned on surplus operating funds and capital funds are reported as revenue in the period earned.

Investment income earned on externally restricted funds such as proceeds of disposition is added to the fund balance and forms part of the respective deferred revenue balances.

Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees on June 20, 2017. 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. Given differences between the funding model and the basis of accounting used in the preparation of the consolidated financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements.

Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in this note above, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. Accounts subject to significant estimates include accrued liabilities (general & capital), useful lives of tangible capital assets, employee future benefits and contingent liabilities.

Property tax revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial grants - Grants for Student Needs.

2. Accounts receivable - Government of Ontario

The Province of Ontario (the "Province") replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognized capital debt as at 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 accounts receivable.

As at August 31, 2018, the Board has an accounts receivable from the Province of \$190,000 (2017 - \$218,489) with respect to approved capital expenditures that is expected to be received as follows:

	\$
2018/19	37,360
2019/20	7,789
2020/21	8,162
2021/22	8,554
2022/23	8,965
Thereafter	119,170
	<hr/> 190,000

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

3. Borrowing facility

The Board has a bank overdraft which bears interest at prime less 0.65%. The Board has an authorized overdraft limit of \$60,000. The balance drawn on the overdraft at August 31, 2018 was \$Nil (2017 - \$Nil).

4. Investments

The investment portfolio includes equity and guaranteed investment certificates.

	2018		2017	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Thames Valley District School Board Guaranteed Investment Certificates	50	50	50	50
Thames Valley Education Foundation Guardian Capital Inc.	6,919	7,975	6,494	7,437
Guaranteed Investment Certificates	80	80	92	92
	7,049	8,105	6,636	7,579

5. Assets held for sale

As at August 31, 2018, \$Nil (2017 - \$102) related to buildings was recorded as assets held for sale. During the year, one (2017 - none) property was sold. Net proceeds of \$133 (2017 - \$Nil) were received on the sale of these properties, which had a carrying value of \$102 (2017 - \$Nil), resulting in a net gain of \$31 (2017 - \$Nil). The full amount of the 2017-2018 net proceeds was transferred to deferred revenue.

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Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

6. Tangible capital assets

	Cost				
	Opening balance	Additions and transfers	Disposals, write downs and transfers	Transfer to assets held for sale	Closing balance
	\$	\$	\$	\$	\$
Land	19,207	631	-	-	19,838
Land improvements	10,282	587	17	-	10,852
Buildings	923,108	88,965	1,975	-	1,010,098
Other buildings	98	-	-	-	98
Portable structures	6,920	634	-	-	7,554
Equipment	11,243	791	1,540	-	10,494
First-time equipping of schools	10,756	1,590	489	-	11,857
Furniture	789	73	33	-	829
Computer hardware	2,902	2,748	634	-	5,016
Computer software	3,592	-	195	-	3,397
Assets permanently removed from service	-	-	(1,975)	-	1,975
Assets under construction	25,265	(25,265)	-	-	-
Pre-acquisition costs	26	1,372	-	-	1,398
Capital leases	78	32	78	-	32
Total	1,014,266	72,158	2,986	-	1,083,438

	Accumulated amortization				
	Opening balance	Amortization	Disposals, write downs and transfers	Transfer to assets held for sale	Closing balance
	\$	\$	\$	\$	\$
Land	-	-	-	-	-
Land improvements	4,714	753	12	-	5,455
Buildings	332,810	33,276	1,250	-	364,836
Other buildings	17	5	-	-	22
Portable structures	2,137	350	-	-	2,487
Equipment	6,137	1,061	1,540	-	5,658
First-time equipping of schools	5,831	1,130	489	-	6,472
Furniture	333	81	33	-	381
Computer hardware	1,527	792	634	-	1,685
Computer software	725	699	195	-	1,229
Assets permanently removed from service	-	-	(1,250)	-	1,250
Assets under construction	-	-	-	-	-
Pre-acquisition costs	-	-	-	-	-
Capital leases	77	7	78	-	6
Total	354,308	38,154	2,981	-	389,481

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

6. Tangible capital assets (continued)

	Net book value	
	2018	2017
	\$	\$
Land	19,838	19,207
Land improvements	5,397	5,568
Buildings	645,262	590,298
Other buildings	76	81
Portable structures	5,067	4,783
Equipment	4,836	5,106
First-time equipping of schools	5,385	4,925
Furniture	448	456
Computer hardware	3,331	1,375
Computer software	2,168	2,867
Assets permanently removed from service	725	-
Assets under construction	-	25,265
Pre-acquisition costs	1,398	26
Capital leases	26	1
Total	693,957	659,958

Adjustments, totalling \$2,969 (2017 - \$3,753), relate to the removal of assets that are fully depreciated and represent a non-cash transaction that is not recorded in the consolidated statement of cash flows.

Assets under construction

Assets under construction having a value of \$Nil (2017 - \$25,265) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Write-down of tangible capital assets

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

Assets permanently removed from service

The Board has identified two building properties that qualify as "assets permanently removed from service" totaling \$725 (2017 - \$Nil). This amount has been included in the net book value ending balance as of August 31, 2018.

Capital leases

The Board has obligations under capital leases for vehicles. The leases contain no renewal options and the assets revert to the leasing company at the termination of the leases. Lease obligations are included in Note 11.

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

7. Accumulated surplus

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Total operating accumulated surplus - unappropriated	23,407	29,531
Available for budget compliance - internally appropriated		
Multi-purpose reserve	-	2,180
School carry-forwards	2,207	2,771
Other internal appropriations	66,048	39,623
Thames Valley Education Foundation	7,362	6,411
	75,617	50,985
Total accumulated surplus available for budget compliance	99,024	80,516
Unavailable for budget compliance		
Employee future benefits	(11,145)	(11,145)
Other unavailable for compliance	(2,218)	(2,316)
Revenues recognized for land	19,843	19,196
School generated funds	5,424	5,176
	11,904	10,911
Total accumulated surplus	110,928	91,427

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Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

8. Deferred revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue 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:

	Opening balance	Contributions and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Ending balance
	\$	\$	\$	\$	\$
Operating Grants for Student Needs (GSN's)	5,075	111,662	111,644	-	5,093
Other Ministry of Education operating grants	437	12,541	12,776	3	199
Other provincial operating grants	49	237	49	-	237
Third party - operating Ministry of Education	3,962	4,698	3,857	-	4,803
capital grants	15,374	44,168	27,255	12,635	19,652
Proceeds of disposition	891	133	-	-	1,024
Assets held for sale	102	(102)	-	-	-
Third party - capital	438	1,320	-	866	892
	26,328	174,657	155,581	13,504	31,900

9. Deferred capital contributions ("DCC")

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.

	2018	2017
	\$	\$
Opening balance	613,506	571,464
Additions to DCC	70,586	75,451
Revenue recognized in the period	(36,843)	(32,510)
Disposals/transfers to financial assets	-	(899)
Closing balance	647,249	613,506

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

10. Retirement and other employee future benefits

Retirement and other employee future benefit liabilities

	2018			2017
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$
Accrued employee future benefit obligations, end of year	6,162	11,705	17,867	19,096
Unamortized actuarial loss	(278)	-	(278)	(513)
Total employee future benefit liability, end of year	5,884	11,705	17,589	18,583

Retirement and other employee future benefit expenses

	2018			2017
	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$
Current year benefit cost	162	2,636	2,798	2,372
Change due to plan amendment	-	-	-	929
Interest on accrued benefit obligation	172	282	454	376
Recognized unamortized actuarial loss/(gain)	145	(147)	(2)	200
Employee future benefits expense	479	2,771	3,250	3,877

The amounts above exclude pension contributions to the Ontario Municipal Employee Retirement System ("OMERS"), a multi-employer pension plan, described below.

Retirement benefits

Ontario Teacher's Pension Plan

Teachers and related employee groups 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 of Ontario. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

10. Retirement and other employee future benefits (continued)

Retirement benefits (continued)

Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the OMERS, a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. For 2018, eligible employees contributed at rates of up to 14.6% (2017 - 14.6%) of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed \$10,974 (2017 - \$10,948) 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.

Retirement gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. 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.

Retirement life insurance and health care benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board's experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions. Plan amendments resulted in \$Nil (2017 - \$929) of in-year expenses.

Other employee future benefits

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 benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreements negotiated prior to 2012 included such a provision.

The Board's liability as at August 31, 2018 for worker's compensation is \$10,175 (2017 - \$9,935) and is included in the retirement and other employee future benefits figure in the Board's statement of financial position.

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 sick leave benefit costs expensed in the financial statements are \$490 (2017 - \$522).

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 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

10. Retirement and other employee future benefits (continued)

Other employee future benefits (continued)

Long-term disability life insurance and health care benefits

The ELHT may provide life insurance, dental and health care benefits to employees on long-term disability leave at the request of employees; however employees are directly responsible for any associated costs. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are per an actuarial valuation for accounting purposes as of August 31, 2018 for sick leave top-up benefits and Workplace Safety and Insurance Board obligations. All other retirement and other employee future benefit balances as August 31, 2018 are per accounting extrapolations based on an actuarial valuation for accounting purposes as of August 31, 2016. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the actuary's best estimate of expected rates of:

	2018	2017
	%	%
Inflation	1.50	1.50
Discount rate	2.90	2.55
Wage and salary escalation - retirement gratuity	-	-
Wage and salary escalation - sick leave top-up benefits	2.00	2.00
Health care cost escalation	7.75-4.00	8.00-4.00
Dental care cost escalation	3.75-3.00	4.00-3.00
<i>WSIB only</i>		
Inflation	2.00	2.00
Discount rate	2.90	2.55

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Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

11. Net long-term liabilities

Net long-term liabilities reported on the consolidated statement of financial position is comprised of the following:

	2018	2017
	\$	\$
Ontario Financing Authority 2006 - 4.560%, due November 2031	16,261	17,117
Ontario Financing Authority 2008 - 4.900%, due March 2033	24,043	25,128
Ontario Financing Authority 2008 - 5.054%, due November 2028	12,577	13,465
Ontario Financing Authority 2009 - 5.062%, due March 2034	10,611	11,040
Ontario Financing Authority 2010 - 4.557%, due November 2026	7,633	8,354
Ontario Financing Authority 2010 - 5.232%, due April 2035	22,400	23,208
Ontario Financing Authority 2011 - 4.833%, due March 2036	41,494	42,936
Ontario Financing Authority 2011 - 3.970%, due November 2036	1,848	1,915
Ontario Financing Authority 2012 - 3.564%, due March 2037	6,927	7,181
Ontario Financing Authority 2013 - 3.799%, due March 2038	16,278	16,820
Capital leases	26	1
Balance as at August 31	160,098	167,165

Principal and interest payments relating to net long-term liabilities of \$160,098 outstanding as at August 31, 2018 are due as follows:

	Interest	Principal	Total
	\$	\$	\$
2018/19	7,470	7,440	14,910
2019/20	7,113	7,797	14,910
2020/21	6,739	8,170	14,909
2021/22	6,348	8,556	14,904
2022/23	5,937	8,965	14,902
Thereafter	35,459	119,170	154,629
Net long-term liabilities	69,066	160,098	229,164

12. Debt charges, capital loans and leases interest

The payments for debt charges, capital loans and capital lease interest includes principal and interest payments as follows:

	2018	2017
	\$	\$
Principal payments on long-term liabilities	7,092	6,768
Interest payments on long-term liabilities	7,809	8,133
Interest payments on temporary financing of capital projects	810	351
Principal payments on capital leases	7	8
Interest payments on capital leases	1	1
	15,719	15,261

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

13. Expenses by object

The following is a summary of the operating, capital and school funded activities expenses reported on the consolidated statement of operations by object:

	Budget	2018	2017
	\$	\$	\$
Expenses			
Salary and wages	643,018	643,234	614,615
Employee benefits	102,155	96,864	90,762
Staff development	1,894	2,490	1,727
Supplies and services	54,041	53,938	53,948
Interest	8,931	8,521	8,400
Rental expenditures	693	782	870
Fees and contractual services	45,777	51,346	46,357
Other	12,372	13,597	9,020
Amortization, writedowns and losses on disposal	36,786	38,159	33,792
School funded activities (Note 21)	17,000	16,822	17,848
	922,667	925,753	877,339

14. Ontario school board insurance exchange

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

The ultimate premiums over a five year period are based on the actual claims experience of OSBIE and the Board. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2021.

15. Contractual obligations and contingent liabilities

In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2018 cannot be predicted with certainty, it is the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

The Board is committed to capital expenditures in the amount of \$4,597.

The Board has committed to four contracts to purchase natural gas for specified delivery periods into the future. The sum of \$857 is payable with respect to these contracts during the next two years.

	\$
2018/19	733
2019/20	124
	857

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

15. Contractual obligations and contingent liabilities (continued)

The Board has ongoing commitments under operating leases for buildings, office equipment and vehicles. The sum of \$3,094 is payable with respect to these operating leases during the next four years as follows:

	\$
2018/19	1,166
2019/20	1,016
2020/21	887
2021/22	25
	<u>3,094</u>

16. Transportation consortium

On July 1, 2010, the Board entered into an agreement with the London District Catholic School Board in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the following Boards: Thames Valley District School Board, London District Catholic School Board, Conseil scolaire de district des écoles catholiques du Sud-Ouest, and Conseil scolaire de district du Centre-Sud-Ouest. Under the agreement, decisions related to the financial and operating activities of the Southwestern Ontario Student Transportation Services are shared. No partner is in a position to exercise unilateral control.

As of September 1, 2010, the partnership only included the Thames Valley District School Board and the London District Catholic School Board.

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. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information.

	2018		2017	
	Total	Board portion	Total	Board portion
	\$	\$	\$	\$
Financial position				
Assets	856	644	4,794	3,633
Liabilities	856	644	4,794	3,633
	-	-	-	-
Operations				
Revenues	50,007	37,608	46,645	35,352
Expenses	50,007	37,608	46,645	35,352
	-	-	-	-

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

17. Thames Valley Education Foundation

The Foundation supports programs and initiatives that directly benefit students and that promote equity across Thames Valley. The Foundation was incorporated in Ontario on September 22, 1997 as a not-for-profit organization and is a registered charity under the Income Tax Act. The Foundation's mission is to provide enhanced learning opportunities for students across the District. The goal of the Foundation is to improve the quality of public education by fostering parent, community and business support and attracting resources that complement provincial funding and local school fundraising.

The Foundation has been consolidated in the Board's financial statements. A financial summary of the Foundation for the year ended August 31, 2018 is as follows:

	2018	2017
	\$	\$
Financial assets		
Cash	1,558	286
Accounts receivable	5	2
Investments	6,999	6,586
	8,562	6,874
Liabilities	633	443
Deferred revenue	567	20
Accumulated surplus	7,362	6,411
	8,562	6,874
Operations		
Revenues	1,736	701
Expenses	785	853
Annual surplus (deficit)	951	(152)

18. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$107,066 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 without recourse 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.

The flow-through of \$7,976 (2017 - \$7,976) in respect of the above agreement for the year ended August 31, 2018, is recorded in these consolidated financial statements.

19. Government of Canada

The Board received tuition fees for Indigenous pupils attending the Board as follows:

	2018	2017
	\$	\$
Chippewas of the Thames First Nation	701	630
Oneida Nation of the Thames	1,551	1,461
Munsee-Delaware Nation	283	310
	2,535	2,401

Thames Valley District School Board

Notes to the consolidated financial statements

August 31, 2018

(In thousands of dollars)

20. Letters of credit

The Board has letters of credit outstanding at August 31, 2018 in the amount of \$3,484 (2017 - \$2,662).

21. School generated funds and funded activities

The following is a summary of the school generated funds and school funded activities reported in the consolidated statement of operations.

	2018			2017
	Schools	School Councils and other	Total	Total
	\$	\$		\$
School generated funds				
Field trips/excursions	4,811	-	4,811	4,827
Fundraising for external charities	754	-	754	748
Student activities and resources (including fees)	7,871	1,752	9,623	8,199
Other	1,851	31	1,882	3,813
	15,287	1,783	17,070	17,587
School funded activities				
Field trips/excursions	4,858	-	4,858	4,864
Donations to external charities	687	-	687	738
Student activities and resources	7,914	1,742	9,656	8,427
Other	1,595	26	1,621	3,819
	15,054	1,768	16,822	17,848

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Chart 1 Accumulated Surplus Appropriations

	Balance August 31, 2017	In-Year Change	Balance August 31, 2018
Available for Compliance - Unappropriated (Utilized only by Board motion)			
Operating Accumulated Surplus	29,530,671	(6,123,457)	23,407,214
Available for Compliance - Internally Appropriated			
Amounts to be Brought Forward Only by Board Motion			
Multi-Purpose	2,179,621	(2,179,621)	0
Unfunded Employee Future Benefits	6,000,000	5,175,124	11,175,124
Future Amortization of Internally Supported Capital Projects	27,256,531	(390,517)	26,866,014
Amount for Future Internally Supported Capital Projects	2,085,168	2,936,217	5,021,385
Amounts to Fund Approved Budget in Future Years			
IT Technology and Infrastructure	0	15,000,000	15,000,000
Website Development	249,431	(249,431)	0
Amounts to be Brought Forward as Revised Budget After Revised Estimates			
Staff Development / Professional Development			
Director & S.O Staff Development	54,868	(2,152)	52,716
Principal & Vice-Principal Staff Development	448,941	(155)	448,786
Managers' Staff Development	22,846	3,631	26,477
Classroom Expenditures and Other			
Elementary School Carry Forward	1,847,418	(401,604)	1,445,814
Secondary School Carry Forward	923,522	(162,026)	761,496
Trustees' Reserve Fund	23,358	6,642	30,000
Ontario Parent Involvement	266,642	46,673	313,315
AED Maintenance	0	16,635	16,635
Unspent Project Funding	1,538,904	2,562,208	4,101,112
Community Use of Schools	86,990	103,186	190,176
Capital Planning Capacity	198,752	(39,544)	159,208
Safe Schools	491,959	(369,185)	122,774
Promote Positive Behaviour	268,837	(28,141)	240,696
Urban & Priority Schools	14,071	30,213	44,284
Indigenous Education - Board Action Plan	16,296	(16,296)	0
Collective Agreement Extensions - Local Priorities	0	1,197,104	1,197,104
Collective Agreement Extensions - Lump Sum Payments	0	364,045	364,045
Cafeteria Rebates	38,983	(5,237)	33,746
Behaviour Expertise Amount	483,277	129,632	612,909
Secondary Athletics	77,729	(46,568)	31,161
Total Internally Appropriated	44,574,144	23,680,833	68,254,977
Thames Valley Education Foundation	6,410,718	950,994	7,361,712
Total Available for Compliance for Ministry Purposes	80,515,533	18,508,370	99,023,903
Unavailable for Compliance			
Employee Future Benefits - other than retirement gratuity	(11,145,011)	0	(11,145,011)
Interest to be Accrued	(2,316,177)	98,591	(2,217,586)
School Generated Funds	5,176,679	247,318	5,423,997
Revenues recognized for land	19,195,860	646,790	19,842,650
Total Unavailable for Compliance	10,911,351	992,699	11,904,050
Total Accumulated Surplus	91,426,884	19,501,069	110,927,953