Consolidated Financial Statements of

UPPER GRAND DISTRICT SCHOOL BOARD

Year ended August 31, 2018

UPPER GRAND DISTRICT SCHOOL BOARD

Board Office: 500 Victoria Road N. Guelph, ON N1E 6K2
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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Upper Grand 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(a) 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 the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the approval by the Board of Trustees 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.

Martha Rogers

Martha Rogers, Director of Education
& Secretary-Treasurer

Glen Regier

Glen Regier, Superintendent of Finance

November 27, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Upper Grand District School Board

We have audited the accompanying consolidated financial statements of Upper Grand District School Board, which comprise the consolidated statement of financial position as at August 31, 2018, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in note 1(a) 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 the auditors' 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 Upper Grand District School Board for the year ended August 31, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

Emphasis of Matter

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Canada
November 27, 2018

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2018, with comparative information for 2017

	2018	2017
Financial Assets		
Cash	$ 44,382,584	$ 57,817,391
Cash - school activity funds (note 2)	4,236,865	3,958,125
Accounts receivable (note 3)	20,094,891	19,989,419
Accounts receivable - Government of Ontario approved capital (note 4)	133,411,580	141,345,894
Total financial assets	202,125,920	223,110,829
Financial Liabilities		
Accounts payable and accrued liabilities	35,932,660	37,403,385
Deferred revenue (note 5)	12,467,131	17,066,102
Deferred capital contributions (note 6)	323,825,981	314,395,525
Retirement and other employee future benefit liabilities (note 7)	8,424,384	9,300,215
Net long-term debt (note 8)	126,299,922	135,575,701
Total financial liabilities	506,950,078	513,740,928
Net debt	(304,824,158)	(290,630,099)
Non-Financial Assets		
Prepaid expenses	9,736,786	1,566,082
Tangible capital assets (note 10)	377,885,147	368,151,382
Total non-financial assets	387,621,933	369,717,464
Contractual obligations and contingent liabilities (note 13)		
Subsequent event (note 18)		
Accumulated surplus (note 15)	$ 82,797,775	$ 79,087,365

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Chair of the Board

Director of Education and Secretary-Treasurer

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2018, with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
Revenues			
Government of Ontario grants:			
Grants for Student Needs	$ 383,588,838	$ 381,091,210	$ 364,827,533
Other	2,896,662	7,479,347	5,109,625
Amortization of deferred capital contributions (note 6)	15,897,507	16,745,958	16,351,407
Federal grants and fees	756,000	1,312,534	764,940
Other fees and revenues	5,563,830	8,344,470	9,094,473
School fundraising and other revenues	10,312,000	11,366,288	11,181,575
Investment income	805,000	1,189,271	714,883
Total revenues	419,819,837	427,529,078	408,044,436
Expenses (note 11)			
Instruction	320,466,916	323,252,210	304,646,268
Administration	9,896,370	10,810,721	10,343,770
Transportation	17,171,000	17,828,197	16,647,408
Pupil accommodation	60,717,088	58,693,866	56,492,615
School funded activities	10,312,000	11,088,124	10,771,533
Other	961,597	2,145,550	933,128
Total expenses	419,524,971	423,818,668	399,834,722
Annual surplus	294,866	3,710,410	8,209,714
Accumulated surplus, beginning of year		79,087,365	70,877,651
Accumulated surplus, end of year		$ 82,797,775	$ 79,087,365

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Annual surplus	$ 3,710,410	$ 8,209,714
Tangible capital asset activity		
Acquisition of tangible capital assets	(26,941,661)	(28,038,246)
Amortization of tangible capital assets	17,207,896	16,787,842
Gain from disposal of tangible capital assets	-	-
Proceeds on sale of tangible capital assets	-	-
Total tangible capital asset activity	(9,733,765)	(11,250,404)
Other non-financial asset activity		
Acquisition of prepaid expenses	(9,131,962)	(440,846)
Use of prepaid expenses	961,258	356,483
Total other non-financial asset activity	(8,170,704)	(84,363)
Increase in net debt	(14,194,059)	(3,125,053)
Net debt, beginning of year	(290,630,099)	(287,505,046)
Net debt, end of year	$ (304,824,158)	$ (290,630,099)

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2018, with comparative information for 2017

	2018	2017
Sources and (uses)		
Operating transactions		
Annual surplus	$ 3,710,410	$ 8,209,714
Items not involving cash:		
Amortization of tangible capital assets	17,207,896	16,787,842
Amortization of deferred capital contributions	(16,745,958)	(16,351,407)
Retirement and other employee future benefits liabilities	(875,831)	(1,889,579)
Changes in non-cash assets and liabilities:		
Accounts receivable	(105,472)	3,457,095
Accounts payable and accrued liabilities	(1,470,725)	4,357,878
Deferred revenue - operating	(1,157,099)	2,314,165
Gain from disposal of tangible capital assets	-	-
Prepaid expenses	(8,170,704)	(84,363)
Increase (decrease) in cash from operating transactions	(7,607,483)	16,801,345
Capital transactions		
Cash used to acquire tangible capital assets	(26,941,661)	(28,038,246)
Proceeds on sale of tangible capital assets	-	-
Decrease in cash from capital transactions	(26,941,661)	(28,038,246)
Financing transactions		
Accounts receivable - Government of Ontario approved capital	7,934,314	2,850,631
Additions to deferred capital contributions	26,176,414	26,185,157
Advance of long-term liabilities	-	6,869,036
Retirement of debt, net of sinking fund asset	(2,115,915)	-
Sinking fund retirement	-	612,008
Debt repayments and sinking fund contributions	(7,159,864)	(6,679,477)
Deferred revenue – capital	(3,441,872)	(6,809,412)
Increase in cash from financing transactions	21,393,077	23,027,943
Increase (decrease) in cash and cash equivalents	(13,156,067)	11,791,042
Cash and cash equivalents, beginning of year	61,775,516	49,984,474
Cash and cash equivalents, end of year	$ 48,619,449	$ 61,775,516

The components of cash and cash equivalents are as follows:

	2018	2017
Cash	$ 44,382,584	$ 57,817,391
Cash - school activity funds	4,236,865	3,958,125
	$ 48,619,449	$ 61,775,516

See accompanying notes to consolidated financial statements.

1. Significant accounting policies:

The consolidated financial statements for Upper Grand District School Board ("the Board") are prepared by management in accordance with the basis of accounting described below.

(a) Basis of accounting:

These 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. 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 requires that:

(i) 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;
(ii) 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
(iii) 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.

1. Significant accounting policies (continued):

(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, which are controlled by the Board, are reflected in the financial statements.

Service de Transport de Wellington-Dufferin Student Transportation Services (STWDSTS) is a separately incorporated transportation consortium of five member school boards operating through an agreement, whereby certain costs are shared. As a result, the proportionate amounts of STWDSTS' assets, liabilities, revenues and expenses have been consolidated with the Board's financial statements.

Interdepartmental and interorganizational 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) 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 performed.

(e) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing depreciable tangible capital assets for use in providing services, or any contributions of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions as required 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

1. Significant accounting policies (continued):

(f) 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, workers' compensation, short-term leave and disability plan and long-term disability benefits. The Board accrues its obligation for these employee 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 2016-2017: OCT, PSSP, EA, SPA, DECE employee groups. The following ELHT was established in 2017-2018: CUPE and 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 OCT, PSSP, EA, SPA, DECE, CUPE and non-unionized employees including principals and vice-principals. Upon the transition of the employee groups' health, dental and life benefits to the ELHT, the Board is required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs 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 Stabilization Adjustment.

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

(i) 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.

(ii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

1. Significant accounting policies (continued):

(f) Retirement and other employee future benefits (continued):

(iii) 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. Actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group. The average remaining service period of the active employees covered by the retirement gratuities plan is 5.14 years (2017 - 6.14 years).

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 those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation, long-term disability, 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.

(g) Government transfer payments:

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 as the same rate and over the same periods as the asset is amortized.

(h) 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.

1. Significant accounting policies (continued):

(i) 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 of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Asset	Estimated useful life
Land improvements with finite lives	15 years
Buildings	40 years
Other buildings	20 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware and 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 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 and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(j) Long-term debt:

Long-term debt is recorded net of related sinking fund asset balances.

1. Significant accounting policies (continued):

(k) 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.

The Board approves its budget annually. The approved operating budget for 2017-18 is reflected on the Consolidated Statement of Operations and Accumulated Surplus; the budget was approved on June 28, 2017. As the Board only prepared a budget for the consolidated statement of operations the budget figures in the consolidated statement of change in net debt have not been provided.

(l) 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 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. Significant items subject to such estimates and assumptions, include the carrying value of estimating provisions for accrued liabilities and valuation of obligations related to employee future benefits. Actual results could differ from these estimates.

These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

(m) Property tax revenue:

Under 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 Legislative Grants.

(n) Contaminated sites:

Contaminated sites are defined as the result of contamination being introduced in air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

A liability for remediation of contaminated sites is recognized, net of any expected recoveries, when all of the following criteria are met:

(i) an environmental standard exists

(ii) contamination exceeds the environmental standard

(iii) the organization is directly responsible or accepts responsibility for the liability

(iv) future economic benefits will be given up, and

(iv) a reasonable estimate of the liability can be made.

2. Cash - school activity funds:

This balance consists of cash held by various organizations that exist at the school level.

3. Accounts receivable:

Accounts receivable consists of the following:

	2018	2017
Government of Canada	$ 2,572,960	$ 2,736,496
Government of Ontario	2,720,888	1,583,182
Municipalities	13,820,255	14,078,729
Other school boards	6,233	47,947
Other	974,555	1,543,065
	$ 20,094,891	$ 19,989,419

4. Accounts receivable - Government of Ontario approved capital:

The Province of Ontario (Province) replaced variable capital funding with a one-time debt support grant in 2009-10. The 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 accounts receivable. The Board has an accounts receivable from the Province of $133,411,580 (2017 - $141,345,894) as at August 31, 2018 with respect to capital grants.

5. Deferred revenue:

Revenues received 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 is comprised of:

	Balance as at August 31, 2017	Externally restricted revenue and investment income	Transferred to revenue or deferred capital contributions in the year	Balance as at August 31, 2018
School renewal	$ 2,068,888	$ 5,938,910	$ 8,007,798	$ -
Proceeds of disposition	8,694,501	-	1,592,159	7,102,342
Tuition fees	3,676,008	3,900,735	4,368,888	3,207,855
Child care retrofit	571,618	-	-	571,618
Other	170,724	79,150,479	78,399,182	922,021
EPO	1,884,363	362,465	1,583,533	663,295
	$ 17,066,102	$ 89,352,589	$ 93,951,560	$ 12,467,131

6. 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.

	2018	2017
Deferred capital contributions, beginning of year	$ 314,395,525	$ 304,561,775
Additions to deferred capital contributions	26,176,414	26,185,157
Amortization of deferred capital contributions	(16,745,958)	(16,351,407)
Deferred capital contributions, end of year	$ 323,825,981	$ 314,395,525

7. Retirement and other employee future benefits:

			2018	2017
	Retirement gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	$ -	$ 569,905	$ 569,905	$ 413,068
Interest on accrued benefit obligation	141,223	89,590	230,813	217,213
Actuarial (gain) recognized	-	-	-	(721,818)
Amortization of actuarial loss	112,846	12,754	125,600	142,745
Plan amendment	-	-	-	254,661
Employee future benefit expenses[1]	$ 254,069	$ 672,249	$ 926,318	$ 305,869
Total payments made during the year	$ 842,197	$ 959,952	$ 1,802,149	$ 2,195,447

1. Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

7. Retirement and other employee future benefits (continued):

			2018	2017
	Retirement gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee future benefit obligations	$ 5,172,971	$ 3,603,297	$ 8,776,268	$ 9,860,906
Unamortized actuarial gain (loss)	(362,534)	10,650	(351,884)	(560,691)
Accrued employee future benefit liabilities	$ 4,810,437	$ 3,613,947	$ 8,424,384	$ 9,300,215

The Board has designated reserves for retirement gratuities. The balance of these reserves totaled $1,353,151 at August 31, 2018 (2017 - $1,654,251).

(a) Actuarial assumptions:

The accrued benefit obligations for employee future benefit plans as at August 31, 2018 are based on the most recent actuarial valuations completed for accounting purposes. These actuarial valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2018	2017
Inflation	1.50%	1.50%
Wage and salary escalation	0%	0%
Health insurance premium escalation (decreasing by 0.25% per annum to 4.0%)	7.75%	8.00%
Dental insurance premium escalation (decreasing by 0.25% per annum to 3.0%)	3.75%	4.00%
Discount on accrued benefit obligations	2.90%	2.55%

7. Retirement and other employee future benefits (continued):

(b) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employee contribution rates are at rates of up to 14.6% of earnings. The Board's contributions equal the employees' contributions to the plan.

During the year ended August 31, 2018, the Board contributed $4,835,253 (2017 - $4,556,373) 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.

The OMERS pension plan had a deficit of $5.4 billion as at December 31, 2017 based on the actuarial valuation of the pension benefit obligation. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

(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 as at August 31, 2016.

(c) Other employee future benefits:

(i) Retirement life insurance and health care benefits:

The Board continues to provide life insurance and 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, no longer qualify for Board subsidized premiums or contributions. The accrued benefit obligation for the Retirement life insurance and health care benefits is based on the actuarial valuation for accounting purposes as at August 31, 2016.

7. Retirement and other employee future benefits (continued):

(c) Other employee future benefits (continued):

(ii) Workplace Safety and Insurance Board Obligation:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board provides salary top-up to a maximum of 4 1/2 years for employees receiving payments from the Workplace Safety and Insurance Board. 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.

The total amount of the future benefit obligation with respect to claims at year end, as actuarially determined, is $2,755,081 (2017 - $2,919,788). The accrued benefit obligation for the Workplace Safety and Insurance Board Obligations is based on the actuarial valuation for accounting purposes as at August 31, 2018.

(iii) Long-term disability benefits:

The Board provides long-term disability benefits of partial payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date. 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 accrued benefit obligation for the long-term disability benefits is based on the actuarial valuation for accounting purposes as at August 31, 2018.

(iv) Sick leave benefits:

The Board allows certain employees a maximum of 11 unused sick leave days to 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 accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2018. This valuation is based on the assumptions about future events.

8. Net debentures and loans:

Net debentures and loans reported on the Statement of Financial Position are comprised of the following:

	2018	2017
Sinking fund debenture, repayable as specified by Upper Grand District School Board Bylaw (1999)-1, plus variable interest, matures December 13, 2024	$ 28,825,000	$ 28,825,000
Debenture, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2002)-A2-UG, plus interest at 5.9% per annum, matures October 11, 2027	10,075,976	10,847,839
Sinking fund debenture, repayable as specified by Upper Grand District School Board Bylaw (2002)-A1-UG, plus interest at 5.7% per annum, matures October 11, 2017	-	2,145,260
Debenture, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2003)-A2-UG, plus interest at 5.8% per annum, matures November 7, 2028	12,981,449	13,858,276
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2006)-1, plus interest at 4.56%, matures November 17, 2031	9,104,403	9,583,369
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2009)-1, plus interest at 4.90%, matures March 3, 2033	7,112,258	7,433,343
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2009)-2, plus interest at 4.83%, matures March 3, 2033	838,751	876,844
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2010)-1, plus interest at 5.06%, matures March 13, 2034	3,905,735	4,063,703
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2010)-1, plus interest at 5.23%, matures April 13, 2035	11,269,839	11,676,575
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2011)-1, plus interest at 4.83%, matures March 11, 2036	6,499,383	6,725,221
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2012)-1, plus interest at 3.564%, matures March 9, 2037	6,386,097	6,620,991
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2013)-1, plus interest at 3.799%, matures March 19, 2038	4,122,932	4,260,131
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2013)-2, plus interest at 4.037%, matures October 30, 2028	10,318,635	11,097,544
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2014)-1, plus interest at 4.003%, matures March 11, 2039	8,281,868	8,532,881
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2015)-1, plus interest at 2.993%, matures March 9, 2040	6,252,895	6,453,612
Carry forward	125,975,221	133,000,589

8. Net debentures and loans (continued):

Net debentures and loans reported on the Statement of Financial Position are comprised of the following:

	2018	2017
Carried forward	$ 125,975,221	$ 133,000,589
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2016)-1, plus interest at 3.242%, matures March 15, 2041	7,880,815	8,110,954
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2017)-1, plus interest at 3.594%, matures March 14, 2042	6,693,786	6,869,036
	140,549,822	147,980,579
Less sinking fund assets (carrying value)	(14,249,900)	(12,404,878)
	$ 126,299,922	$ 135,575,701

Principal, sinking fund and interest payments relating to net debentures and loans of $126,299,922 (2017 - $135,575,701) outstanding as at August 31, 2018, are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2019	$ 7,188,406	$ 6,985,880	$ 14,174,286
2020	7,455,009	6,719,038	14,174,047
2021	7,734,936	6,438,864	14,173,800
2022	8,028,874	6,144,669	14,173,543
2023	8,337,546	5,835,731	14,173,277
Thereafter	87,555,151	25,382,191	112,937,342
	$ 126,299,922	$ 57,506,373	$ 183,806,295

Included in net debentures and loans are outstanding sinking fund debentures of $28,825,000 (2017 - $30,970,260) secured by sinking fund assets with a carrying value of $14,249,900 (fair market value - $14,264,235). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds. A sinking fund debenture of $2,145,260 was retired in October 2017, net of sinking payment of $29,345.

9. Debt charges:

The expenditure for debt charges includes principal, sinking fund contributions, operating leases and interest payments are as follows:

	2018	2017
Principal payments on long-term liabilities including contributions to sinking funds	$ 6,963,813	$ 6,552,819
Payments on operating leases	57,633	49,777
Interest payments on long-term liabilities	7,307,539	7,401,052
	$ 14,328,985	$ 14,003,648

Included in debt repayment and sinking fund contributions in the Consolidated Statement of Cash Flows in total of $7,159,864 (2017 - $6,679,477) are principal payments on long-term debt of $6,963,813 (2017 - $6,552,819) and sinking fund interest revenue of $196,051 (2017 - $126,658).

10. Tangible capital assets:

The Board's tangible capital assets are identified by asset type. The cost of tangible capital assets, their accumulated amortization and net book value are disclosed in the following schedule:

Cost	Balance at August 31, 2017	Additions and transfers	Disposals and transfers	Balance at August 31, 2018
Land	$ 47,783,697	$ 65,385	$ -	$ 47,849,082
Land improvements	10,417,404	1,232,005	-	11,649,409
Buildings	451,632,622	21,502,065	-	473,134,687
Other buildings	1,560,788	6,294	-	1,567,082
Portable structures	3,071,620	264,799	-	3,336,419
First-time equipping of schools	5,815,345	14,056	189,089	5,640,312
Furniture	420,942	258,273	5,496	673,719
Equipment	3,996,113	310,937	101,326	4,205,724
Computer hardware and software	13,296,876	3,014,444	1,847,730	14,463,590
Vehicles	1,050,210	273,403	141,655	1,181,958
	$ 539,045,617	$ 26,941,661	$ 2,285,296	$ 563,701,982

10. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2017	Additions and transfers	Disposals	Balance at August 31, 2018
Land improvements	$ 3,219,049	$ 735,561	$ -	$ 3,954,610
Buildings	151,595,141	12,926,195	-	164,521,336
Other buildings	404,847	78,809	-	483,656
Portable structures	1,490,702	160,241	-	1,650,943
First-time equipping of schools	2,931,506	556,976	189,089	3,299,393
Furniture	255,899	54,458	5,496	304,861
Equipment	2,120,980	414,922	101,326	2,434,576
Computer hardware and software	8,193,843	2,108,460	1,847,730	8,454,573
Vehicles	682,268	172,274	141,655	712,887
	$ 170,894,235	$ 17,207,896	$ 2,285,296	$ 185,816,835

Net book value	2018	2017
Land	$ 47,849,082	$ 47,783,697
Land improvements	7,694,799	7,198,355
Buildings	308,613,351	300,037,481
Other buildings	1,083,426	1,155,941
Portable structures	1,685,476	1,580,918
First-time equipping of schools	2,340,919	2,883,839
Furniture	368,858	165,043
Equipment	1,771,148	1,875,133
Computer hardware and software	6,009,017	5,103,033
Vehicles	469,071	367,942
	$ 377,885,147	$ 368,151,382

(a) Assets under construction:

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

(b) Write-down of tangible capital assets:

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

11. Expenses by object:

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

	2018 Budget	2018 Actual	2017 Actual
Expenses:			
Salary and wages	$ 285,916,564	$ 286,237,913	$ 272,627,005
Employee benefits	42,632,105	44,241,709	39,431,643
Staff development	1,399,134	1,699,777	1,559,523
Supplies and services	35,368,804	34,330,256	32,932,706
Interest charges on capital	7,307,539	7,307,539	7,403,060
Rental expenses	193,557	250,512	522,277
Fees and contract services	29,460,448	30,241,518	27,485,726
Other	1,074,954	2,301,548	1,084,940
Amortization of tangible capital assets	16,171,866	17,207,896	16,787,842
	$ 419,524,971	$ 423,818,668	$ 399,834,722

12. Ontario School Board Insurance Exchange (OSBIE):

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 $20,000,000 per occurrence.

The premiums over a five year period are based on the reciprocal's and the Board's actual claims experience. 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.

13. Contractual obligations and contingent liabilities:

(a) Capital commitments:

The Board has commitments to construct and renovate various new and existing schools at August 31, 2018 totaling $2,958,000. The Board intends to finance these capital expenditures through a combination of educational development charges and long-term financing.

(b) Operating leases:

At August 31, 2018, the Board is committed to the following operating leases:

2019	$ 69,726
2020	36,070
2021	35,450
2022	33,887
2023	28,010
	$ 203,143

(c) Pay equity:

The Board is subject to provincial pay equity legislation for its employees. It is management's opinion that the amount of any potential settlement is not determinable at this time. Consequently, management is not in a position to state that it has adequately provided for any or all potential settlements.

14. Trust funds:

Trust funds administered by the Board amounting to $649,964 (2017 - $699,207) have not been included in the Consolidated Statement of Financial Position and their operations have not been included in the Consolidated Statement of Operations and Accumulated Surplus.

15. Accumulated surplus:

Accumulated surplus consists of the following:

	2018	2017
Surplus:		
Invested in non-depreciable tangible capital assets	$ 36,076,181	$ 34,375,344
Amounts restricted for future use:		
Employee future benefits	(8,424,384)	(9,300,215)
Retirement gratuities	1,353,151	1,654,251
School renewal	7,241,146	7,822,308
Other	46,551,681	44,535,677
Total accumulated surplus	$ 82,797,775	$ 79,087,365

Available for compliance - internally appropriated	$ 48,720,697	$ 47,204,413
Unavailable for compliance - externally appropriated	34,077,078	31,882,952
	$ 82,797,775	$ 79,087,365

16. Repayment of “55 School Board Trust” Funding:

On June 1, 2003, the Board received $11,377,073 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.

17. Service de Transport de Wellington Dufferin Student Transportation Services (STWDSTS):

On February 9, 2011, STWDSTS was incorporated. On August 18, 2008, the Board entered into an agreement with Conseil scolaire de district catholique Centre-Sud, Conseil scolaire Viamonde, Dufferin-Peel Catholic District School Board, and Wellington Catholic District 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 Boards. Under the agreement created at the time STWDSTS was established, decisions related to the financial and operating activities of STWDSTS are shared. No partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2018		2017	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	$ 5,088,976	$ 3,733,675	$ 836,474	$ 633,461
Financial liabilities	5,139,074	3,773,468	965,047	730,829
Net debt	(50,098)	(39,793)	(128,573)	(97,368)
Accumulated deficit	$ (50,098)	$ (39,793)	$ (128,573)	$ (97,368)

	2018		2017	
	Total	Board Portion	Total	Board Portion
Operations:				
Revenue	$ 23,785,787	$ 17,451,133	$ 21,956,236	$ 16,627,428
Expenses	23,707,312	17,393,558	21,970,925	16,641,253
Annual surplus (deficit)	78,475	57,575	(14,689)	(13,825)
Accumulated deficit, beginning of year	(128,573)	(97,368)	(113,884)	(83,543)
Accumulated deficit, end of year	$ (50,098)	$ (39,793)	$ (128,573)	$ (97,368)

18. Subsequent event:

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans (difference in cost of active versus retire). As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the CUPE and non-unionized employees including principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established in 2016 to 2018 for all employee groups. Additionally, retirees belonging to the CUPE, Principal/Vice Principal and Non-union employee groups have transitioned to the ELHT in 2017-18. The ELHTs will offer health, life and dental benefits to retired individuals after the retiree group transitions to the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. After retirees transition to the ELHT, the Board continues to be responsible for its share of cost of benefits based on the cost sharing arrangement prior to the transition to the ELHT.

Following discussions with the Ministry of Education, the valuation and financial reporting for the post-retirement benefit as at August 31, 2018, has not changed from prior year methodologies. The change in retiree and active benefit costs under the ELHT will be reflected in the August 31, 2019 full valuation.

19. Comparative information:

Certain comparative information has been reclassified in the consolidated statement of cash flows, to conform to the presentation used in the current year. The changes do not affect the prior year annual surplus.