

Consolidated Financial Statements of

**HAMILTON-WENTWORTH DISTRICT
SCHOOL BOARD**

Year ended August 31, 2018

MANAGEMENT REPORT

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS


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

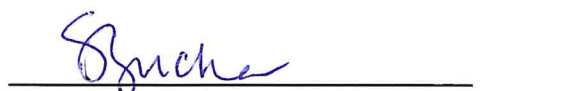
A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot 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 the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated financial statements.

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


Manny Figueiredo
Director of Education & Secretary


Stacey Zucker
Associate Director, Support Services & Treasurer

November 26, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Hamilton-Wentworth District School Board:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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



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

Opinion

In our opinion the consolidated financial statements of the Hamilton-Wentworth District School Board as at August 31, 2018 and for the year then ended, are prepared in all material respects in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Basis of Accounting

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

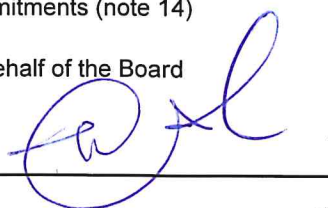
Hamilton, Canada
November 26, 2018

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative information for 2017)**

	2017-18 (\$000's)	2016-17 (\$000's)
FINANCIAL ASSETS		
Cash and Cash Equivalents	60,713	47,070
Accounts Receivable - Other	25,775	22,547
Accounts Receivable - Government of Ontario (note 3)	159,447	160,123
Investments (note 2)	6,250	6,250
TOTAL FINANCIAL ASSETS	252,185	235,990
FINANCIAL LIABILITIES		
Accounts Payable and Accrued Liabilities	38,892	37,691
Net Debenture Debt, Capital Loans and Leases (note 7)	137,290	142,792
Deferred Revenue (note 4)	62,539	49,180
Employee Benefits Payable (note 6)	50,486	52,799
Deferred Capital Contributions (note 5)	532,931	514,561
TOTAL FINANCIAL LIABILITIES	822,138	797,023
NET DEBT	(569,953)	(561,033)
NON-FINANCIAL ASSETS		
Prepaid Expenses	2,104	1,235
Tangible Capital Assets (note 10)	623,734	606,346
TOTAL NON-FINANCIAL ASSETS	625,838	607,581
ACCUMULATED SURPLUS (note 11)	55,885	46,548

Contingent Liabilities (note 13)
Commitments (note 14)

On behalf of the Board


_____ Chair


_____ Director of Education & Secretary

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative information for 2017)**

	2017-18 Budget (\$000's)	2017-18 Actual (\$000's)	2016-17 Actual (\$000's)
REVENUES			
Provincial Grants - Grants for Student Needs (note 1(n))	589,931	564,503	537,906
Provincial Grants - Other	4,858	14,038	10,306
Federal Grants and Fees	-	1,246	1,204
School Generated Funds	10,548	11,194	10,957
Investment Income	300	295	356
Other Fees and Revenues	4,899	8,237	11,689
Amortization of Deferred Capital Contributions (Note 5)	-	33,112	30,903
TOTAL REVENUES	610,536	632,625	603,321
EXPENDITURES			
Instruction	473,696	481,493	465,734
Administration	14,603	13,972	13,798
Transportation	15,854	15,723	15,394
Pupil Accommodation	88,604	91,731	85,818
School Generated Funds	10,548	11,186	11,281
Other	3,542	9,183	2,890
TOTAL EXPENDITURES (note 9)	606,847	623,288	594,915
ANNUAL SURPLUS	3,689	9,337	8,406
Accumulated Surplus at Beginning of Year	68,903	46,548	38,142
ACCUMULATED SURPLUS AT END OF YEAR (note 11)	72,592	55,885	46,548

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative information for 2017)**

	2017-18 (\$000's)	2016-17 (\$000's)
OPERATING TRANSACTIONS		
Annual Surplus	9,337	8,406
Sources and (Uses):		
Non-cash items including Amortization, Write-downs and		
Loss on disposal of TCA and excluding deferred gain on disposal of restricted assets	38,357	32,362
Deferred Capital Contributions Revenue	(33,112)	(30,903)
Deferred Gain on Disposal of Restricted Assets	(12,172)	(18,105)
(Increase) Decrease in Accounts Receivable	(3,229)	8,568
(Decrease) Increase in Accounts Payable and Accrued Liabilities	1,202	1,651
Increase in Deferred Revenue - Operating	1,654	873
Decrease in Employee Benefits Payable	(2,313)	(5,440)
Decrease (Increase) in Prepaid Expense	(869)	(180)
CASH PROVIDED BY (APPLIED TO) OPERATING TRANSACTIONS	(1,145)	(2,768)
CAPITAL TRANSACTIONS		
Proceeds on Sale of Tangible Capital Assets	12,298	18,184
Cash used to Acquire Tangible Capital Assets	(55,871)	(60,172)
CASH APPLIED TO CAPITAL TRANSACTIONS	(43,573)	(41,988)
FINANCING TRANSACTIONS		
Debt Repayments	(5,502)	(5,258)
(Increase) Decrease in Accounts Receivable - Government of Ontario	676	4,779
Net additions to Deferred Capital Contributions	51,482	39,475
Increase (Decrease) in Deferred Revenues - Capital	11,705	16,431
CASH PROVIDED BY FINANCING TRANSACTIONS	58,361	55,427
CHANGE IN CASH AND CASH EQUIVALENTS	13,643	10,671
Opening Cash and Cash Equivalents	47,070	36,399
CLOSING CASH AND CASH EQUIVALENTS	60,713	47,070

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED AUGUST 31, 2018 (with comparative information for 2017)**

	2017-18	2016-17
	(\$000's)	(\$000's)
ANNUAL SURPLUS	9,337	8,406
TANGIBLE CAPITAL ASSET ACTIVITY		
Acquisition of Tangible Capital Assets	(55,871)	(60,172)
Amortization of Tangible Capital Assets	33,851	31,617
Loss on Sale of Tangible Capital Assets	4,506	745
Proceeds on Sale of Tangible Capital Assets	12,298	18,184
Gain on Sale Allocated to Deferred Revenue	(12,172)	(18,105)
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	(17,388)	(27,731)
OTHER NON-FINANCIAL ASSET ACTIVITY		
Use of Prepaid Expenses	(869)	(180)
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	(869)	(180)
INCREASE IN NET DEBT	(8,920)	(19,505)
Net Debt at Beginning of Year	(561,033)	(541,528)
NET DEBT AT END OF YEAR	(569,953)	(561,033)

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Accounting

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. 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 the 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 the 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.

(b) Reporting Entity

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

School generated funds, which include the assets, liabilities, revenues, and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities -

- Hamilton-Wentworth District School Board
- The Hamilton Foundation for Student Success (formerly, "The Hamilton-Wentworth District School Board Foundation")
- School Generated Funds

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Proportionately consolidated entities -

- Hamilton-Wentworth Student Transportation Services

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

(c) Trust Funds

Trust funds for teacher funded leave under the “four over five plan” and of the Hamilton School Boards Energy Consortium are not included in the consolidated financial statements, as these funds are not controlled by the Board.

(d) Cash

Cash is comprised of cash on hand.

(e) Investments

Temporary investments consist of marketable securities that are liquid short-term investments with maturities 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.

(f) Deferred Revenue

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

(g) Deferred Capital Contributions

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

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

(h) Retirement and other Employee Future Benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, sick leave, 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 2016-17: ETFO and OSSTF. The following were established in 2017-2018: CUPE, OCEW 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 the 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 benefits to ETFO, OSSTF effective April 1, 2017, CUPE effective March 1, 2018, OCEW effective May 1, 2018 and ONE-T effective May 1, 2018 for principals and vice principals and June 1, 2018 for all other non-union employees. Upon transition of the employee

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(All amounts in thousands of dollars)**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and year of service as at August 31, 2012 using management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

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

For 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 and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined 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.

(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 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.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AUGUST 31, 2018
 (All amounts 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 Improvement with Finite Lives	15
Buildings and Building Improvements	40
Portable Structures	20
Other Buildings	20
First-Time Equipping of Schools	10
Furniture	10
Equipment	5-15
Computer Hardware	5
Computer Software	5
Vehicles	5-10
Leasehold Improvements	Over the lease term

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

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

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

(j) Government Transfers

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

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (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.

(k) Investment Income

Investment income is reported as revenue in the period earned.

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

(l) Budget Figures

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

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 AUGUST 31, 2018
 (All amounts in thousands of dollars)**

SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Accounts subject to significant estimates include assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these estimates.

(n) Property Tax Revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the 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 the Provincial Grants – Grants for Student Needs.

2. INVESTMENTS

Investments consist of marketable securities and are recorded at cost and are comprised as follows:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates:				
Meridian Credit Union	\$ 525	\$ 525	\$ 525	\$ 525
Meridian Credit Union	5,725	5,725	5,725	5,725
	\$ 6,250	\$ 6,250	\$ 6,250	\$ 6,250

These investments are assessed regularly for impairment and are written down if a permanent impairment exists.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Hamilton Wentworth District School Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of Ontario of \$159,447 (2017 - \$160,123) as at August 31, 2018 with respect to capital grants.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(All amounts in thousands of dollars)**

4. DEFERRED REVENUE

Revenues received and 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:

	Balance as at August 31, 2017	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2018
Proceeds of Disposition	\$ 28,466	\$ 12,655	\$ 913	\$ (2,057)	\$ 39,977
Special Education	-	69,287	(69,287)	-	-
School Renewal	14,496	8,308	(1,411)	(6,711)	14,682
Other	6,218	50,242	(45,630)	(2,950)	7,880
Total Deferred Revenue	\$ 49,180	\$ 140,492	\$ (115,415)	\$ (11,718)	\$ 62,539

5. 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
Balance at Beginning of Year	\$ 514,561	\$ 505,989
Additions to Deferred Capital Contributions	44,270	31,410
Transfers from Deferred Revenue	11,718	8,810
Disposals/Transfers to Financial Assets	(4,506)	(745)
Revenue Recognized in period	(33,112)	(30,903)
Balance at end of year	\$ 532,931	\$ 514,561

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(All amounts in thousands of dollars)**

6. 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 Benefit Obligation – Opening Balance	\$ 48,892	\$ 7,742	\$ 56,634	\$ 64,408
Current Year Benefit (Recovery) Expense	-	2,329	2,329	(342)
Interest on Accrued Benefit Obligation	1,182	203	1,385	1,069
Benefits Expenses (Recovery) ¹	1,182	2,532	3,714	727
Actuarial (Gain) Loss	(936)	-	(936)	(1,514)
Benefits Payment	(5,095)	(1,543)	(6,638)	(6,987)
	(4,849)	989	(3,860)	(7,774)
Accrued Benefit Obligation – Closing Balance	\$ 44,043	\$ 8,731	\$ 52,774	\$ 56,634
Unamortized Actuarial Loss	(2,288)	-	(2,288)	(3,835)
Accrued Benefit Liability – Ending	\$ 41,755	\$ 8,731	\$ 50,486	\$ 52,799

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

Amortization of actuarial losses during the year is \$611 (2017 - \$581). The unamortized actuarial loss is amortized over the expected average remaining service life of 6.12 years (2017 – 7.12 years).

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2018
(All amounts in thousands of dollars)**

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Pension Plans:

(i) 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 the 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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2018, the Board contributed \$7,418 (2017 – \$7,056) 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.

Employee Future Benefits:

(i) Retirement Gratuities

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

(ii) 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 costs related to these benefits are unsubsidized by the Board and the retired members are required to pay 100% of the costs through the Board's unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, do not qualify for board subsidized premiums or contributions.

(iii) Workplace Safety and Insurance Board Plan Obligations

The Board is a Schedule 2 employer under the *Ontario 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 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 collective agreements negotiated prior to 2012 included such a provision.

(iv) Long-Term Disability Life Insurance and Health Care Benefits

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave who are not yet members of an ELHT. The employees are required to pay 100% of the premium costs. 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.

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6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(v) Sick Leave Top-Up Benefits

A maximum of eleven 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 benefit cost expensed in the financial statements are \$202 (2017 - \$129).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2018. This actuarial valuation is based on assumptions about future events.

Actuarial Assumptions

The accrued benefit obligations for long-term disability life insurance and health care benefit plans as at August 31, 2018 are based on actuarial valuations for accounting purposes as at August 31, 2018. These 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	1.5%	1.5%
Wage and Salary Escalation	0%	0%
Health Care Cost Escalation	7.75% decreasing by ¼% each year to 4.0%	8.0% decreasing by ¼% each year to 4.0%
Dental Cost Escalation	3.75% decreasing by ¼% each year to 3.0%	4.0% decreasing by ¼% each year to 3.0%
Discount on Accrued Benefit Obligations	2.90%	2.55%

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7. NET LONG TERM DEBT

The net long-term liabilities reported on the Consolidated Statement of Financial Position of \$137,290 consists of loans of \$136,357 (2017 – \$141,542) and Capital Lease \$933 (2017 - \$1,250). The debentures have a retractable feature, exercisable on specific dates only, at the option of the debenture holders. Details of the net long-term debt are as follows:

	2018	2017
Ontario Financing Authority Loan due Nov 15, 2031, 4.56%	7,700	8,105
Ontario Financing Authority Loan due Mar 3, 2033, 4.90%	24,261	25,356
Ontario Financing Authority Loan due Mar 13, 2034, 5.062%	8,932	9,293
Ontario Financing Authority Loan due Apr 13, 2035, 5.232%	19,526	20,231
Ontario Financing Authority Loan due Mar 11, 2036, 4.833%	8,801	9,107
Ontario Financing Authority Loan due Nov 15, 2036, 3.970%	10,288	10,659
Ontario Financing Authority Loan due Mar 9, 2037, 3.564%	15,794	16,375
Ontario Financing Authority Loan due Mar 19, 2038, 3.799%	39,635	40,954
Ontario Financing Authority Loan due Mar 11, 2039, 4.003%	1,420	1,463
Capital Lease Matures, June 1, 2019	140	281
Capital Lease Matures, August 24, 2022	409	496
Capital Lease Matures, April 18, 2022	384	472
	\$ 137,290	\$ 142,792

The principal and interest payments required in each of the next five fiscal years and thereafter in respect of the outstanding net long-term debt are as follows:

	Principal	Interest	Total
2019	5,745	5,914	11,659
2020	5,861	5,671	11,532
2021	6,129	5,418	11,547
2022	6,369	5,152	11,521
2023	6,456	4,875	11,331
Thereafter	106,730	32,693	139,423
Total	\$ 137,290	\$ 59,723	\$ 197,013

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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8. DEBT CHARGES

The expenditure for debt charges and capital leases includes principal and interest payments made on debentures and capital leases as follows:

	2018	2017
Principal payments on debentures and capital leases	\$ 5,502	\$ 5,258
Interest payment on debentures and capital leases	6,146	6,367
Total	\$ 11,648	\$ 11,625

9. EXPENDITURES BY OBJECT

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

	2018 Budget note 1(l)	2018 Actual	2017 Actual
Current Expenditures:			
Salary and Wages	\$ 417,191	\$ 428,222	\$ 410,318
Employee Benefits	70,689	71,369	67,539
Staff Development	4,097	1,703	1,566
Supplies and Services	38,798	36,484	36,927
Interest Charges on Capital	6,146	6,078	6,281
Rental Expenditures	1,703	4,061	2,586
Fees & Contractual Services	20,994	23,646	23,420
Other	4,066	1,983	2,634
Transfer to Other Boards	-	197	-
Amortization of Tangible Capital Assets and Loss on Disposal	32,615	38,358	32,363
School Funded Activities	10,548	11,187	11,281
Total	\$ 606,847	\$ 623,288	\$ 594,915

10. TANGIBLE CAPITAL ASSETS

(a) Assets Under Construction

Assets under construction having a value of \$30,668 (2017 - \$ 7,770) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of Tangible Capital Assets

There were no write-downs of tangible capital assets during the year (2017 – Nil).

(c) Asset Inventories for Resale (Assets Permanently Removed from Service)

There were no assets inventoried for resale or assets permanently removed from service during the year (2017 – Nil).

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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10. TANGIBLE CAPITAL ASSETS (continued):

Year ended August 31, 2018

	Cost (in 000's)				Accumulated Amortization (in 000's)						
	Balance at August 31, 2017	Additions, transfers and adjustments	Disposals and Write Offs	Transfers to-from CIP	Balance at August 31, 2018	Balance at August 31, 2017	Amortization and adjustment	Disposals and Write Offs	Balance at August 31, 2018	Net Book Value August 31, 2018	Net Book Value August 31, 2017
Land	\$ 74,222	\$ (117)	\$ (126)	\$ -	\$ 73,979	\$ -	\$ -	\$ -	\$ -	\$ 73,979	\$ 74,222
Land Improvements	12,326	2,831	(142)	-	15,015	3,000	1,105	(70)	4,035	10,980	9,326
Buildings	861,591	27,978	(11,139)	-	878,430	360,337	28,693	(6,705)	382,325	496,105	501,254
Portable Structures	7,014	-	(73)	-	6,941	3,649	328	(73)	3,904	3,037	3,365
Furniture and Equipment	10,974	148	(795)	-	10,327	6,178	1,047	(795)	6,430	3,897	4,796
Computer Hardware and Software	12,014	2,133	(1,955)	-	12,192	8,376	2,225	(1,955)	8,646	3,546	3,638
Vehicles	151	-	(96)	-	55	138	6	(96)	48	7	13
Construction in Progress	7,770	22,898	-	-	30,668	-	-	-	-	30,668	7,770
Leasehold Improvements	2,306	-	-	-	2,306	1,438	272	-	1,710	596	868
Capital Leased Assets	1,324	-	-	-	1,324	230	175	-	405	919	1,094
	\$ 989,692	\$ 55,871	\$ (14,326)	\$ -	\$ 1,031,237	\$ 383,346	\$ 33,851	\$ (9,694)	\$ 407,503	\$ 623,734	\$ 606,346

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11. ACCUMULATED SURPLUS

	2018	2017
Unappropriated	\$ 10,305	\$ 9,546
Amounts Restricted for Future Use of the Board		
WSIB	750	-
School Budgets	799	626
Computer Technology	881	881
Board Initiatives	2,742	1,468
Cafeteria Equipment Replacement	75	82
Amounts Restricted for Capital Construction		
Administrative Building	15,767	16,187
Other Capital Projects	2,000	-
Available for Compliance	33,319	28,790
Amounts to be Recovered		
Employee Future Benefits	(27,470)	(30,863)
Interest Accrual	(1,996)	(2,063)
Other		
School Generated Funds	4,024	4,017
Revenues Recognized for Land	48,008	46,667
Balance at August 31, 2018	\$ 55,885	\$ 46,548

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 the Board for general public liability, property damage and vehicles. The membership period is for five years, ending December 31, 2021.

13. CONTINGENT LIABILITIES

The Board has been named in personal injury and property damage claims. The amounts specified in the claims are within the Board's insurance coverage. The Board, as well as its insurers, has instructed legal counsel to act on behalf of the Board to defend against these claims. No provision has been made in the financial statements for these claims.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
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14. COMMITMENTS

The Board has outstanding contractual obligations at August 31, 2018 of approximately \$35,369 (2017 - \$35,578), for the construction of new schools and for other capital projects.

The Board has long-term lease commitments with various expiry dates. The minimum payments are as follows:

2019	\$ 2,718
2020	1,942
2021	1,809
2022	934
Thereafter	-
Total	\$ 7,403

15. PARTNERSHIP IN HAMILTON-WENTWORTH STUDENT TRANSPORTATION SERVICES, A TRANSPORTATION CONSORTIUM

On April 1, 2009, the Board entered into an agreement with the Hamilton-Wentworth 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, decisions related to the financial and operating activities of Hamilton-Wentworth Student Transportation Services are shared. No partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board's consolidated financial statements to reflect the Board's portion of costs incurred. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

The Hamilton-Wentworth District School Board does not control any assets of the Hamilton-Wentworth Student Transportation Services. The Board has recorded its share of revenue and expenses in the Consolidated Statement of Operations.

16. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$16,675 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 re-finance 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. SUBSEQUENT EVENTS

In September 2018, the Board entered into an agreement with Tambro Construction for the construction of the New Nora Frances Henderson Secondary School. The contract Value is \$31,800. As of August 31, 2018 no construction related expenses have been incurred.