

**HASTINGS AND PRINCE EDWARD DISTRICT  
SCHOOL BOARD  
CONSOLIDATED FINANCIAL STATEMENTS  
AS AT AUGUST 31, 2012**

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
FINANCIAL STATEMENTS  
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AS AT AUGUST 31, 2012**

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**MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED  
FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of the Hastings and Prince Edward 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, except for the qualification regarding the completeness of the school generated funds, per auditors' report dated November 19, 2012.

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 Board management.

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

The consolidated financial statements have been audited by Wilkinson & Company 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.

(signed by R. McGall)

\_\_\_\_\_  
Director of Education and Chief Executive Officer

November 19, 2012

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees of  
Hastings and Prince Edward District School Board

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Hastings and Prince Edward District School Board, which comprise the consolidated statements of financial position as at August 31, 2012 and August 31, 2011, the consolidated statements of operations, changes in net debt and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditors' Responsibility**

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

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

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

### **Basis for Qualified Opinion**

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, net revenue, financial assets and net financial position.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Hastings and Prince Edward District School Board as at and for the years ended August 31, 2012 and August 31, 2011 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

### **Emphasis of Matter**

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

*Wilkinson & Company LLP*

TRENTON, Canada  
November 19, 2012

Chartered Accountants  
Licensed Public Accountants

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT AUGUST 31, 2012**

	2012 \$	Restated 2011 \$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	5,302,381	9,321,311
Accounts receivable	7,467,976	7,463,107
Accounts receivable - Government of Ontario - Note 2	42,220,310	41,706,247
Assets held for sale - Note 3	473,580	-
<b>TOTAL FINANCIAL ASSETS</b>	<b>55,464,247</b>	<b>58,490,665</b>
<b>FINANCIAL LIABILITIES</b>		
Temporary borrowing - Note 6	11,804,208	7,749,417
Accounts payable and accrued liabilities	6,152,809	12,675,245
Net long-term debt - Note 5	37,389,046	38,947,275
Deferred capital contributions - Note 9	94,019,466	90,853,552
Deferred revenue	3,581,310	2,099,868
Employee future benefits payable - Note 4	24,064,570	34,468,483
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>177,011,409</b>	<b>186,793,840</b>
<b>NET DEBT</b>	<b>(121,547,162)</b>	<b>(128,303,175)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	3,435,947	3,236,507
Tangible capital assets - Note 8	98,249,522	95,352,235
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>101,685,469</b>	<b>98,588,742</b>
<b>ACCUMULATED DEFICIT</b>	<b>(19,861,693)</b>	<b>(29,714,433)</b>

CONTINGENCY - Note 13

**SIGNED ON BEHALF OF THE BOARD**

\_\_\_\_\_  
(signed by R. McGall) Signature of Chief Executive Officer

\_\_\_\_\_  
(signed by D. Inch) Signature of Chair

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED AUGUST 31, 2012**

	Unaudited Budget 2012 \$	2012 \$	Restated 2011 \$
<b>REVENUES</b>			
Provincial grants - Grants for Student Needs	134,492,325	133,698,573	128,832,793
Provincial grants - Other	2,642,569	4,027,500	3,364,521
Local taxation	42,273,283	41,951,294	42,710,823
School generated funds	5,260,110	4,694,067	4,753,929
Federal grants and fees	1,416,526	1,492,558	1,268,785
Investment income	-	89,777	52,884
Other revenues - School boards	15,900	10,535	-
Other fees and revenues	2,053,184	2,099,827	2,706,801
Amortization of Deferred Capital Contributions	4,844,897	5,434,964	4,548,090
<b>TOTAL REVENUES</b>	<b>192,998,794</b>	<b>193,499,095</b>	<b>188,238,626</b>
<b>EXPENSES</b>			
Instruction	143,006,306	135,817,607	143,467,855
Administration	6,294,696	5,574,570	6,469,100
Transportation	14,224,537	13,860,319	13,818,528
Pupil accommodation	25,598,208	23,616,146	22,744,542
School generated funds	5,260,110	4,777,713	4,915,389
<b>TOTAL EXPENSES</b>	<b>194,383,857</b>	<b>183,646,355</b>	<b>191,415,414</b>
<b>ANNUAL SURPLUS/(DEFICIT)</b>	<b>(1,385,063)</b>	<b>9,852,740</b>	<b>(3,176,788)</b>
<b>ACCUMULATED DEFICIT - BEGINNING OF YEAR - Note 18</b>	<b>(29,714,433)</b>	<b>(29,714,433)</b>	<b>(26,537,645)</b>
<b>ACCUMULATED DEFICIT - END OF YEAR</b>	<b>(31,099,496)</b>	<b>(19,861,693)</b>	<b>(29,714,433)</b>

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2012**

	2012 \$	Restated 2011 \$
<b>OPERATING TRANSACTIONS</b>		
Annual surplus/(deficit)	9,852,740	(3,176,788)
Adjustment for items which do not affect cash -		
Amortization of capital assets	5,197,877	4,816,719
Write-down on assets held for sale	237,086	-
(Increase) decrease in accounts receivable	(518,932)	(8,599,609)
Increase in assets held for sale	(473,580)	-
Increase (decrease) in accounts payable and accrued liabilities	(6,522,436)	2,549,527
Increase in deferred capital contributions	3,165,914	11,362,057
Increase in deferred revenues	1,481,442	29,500
Increase (decrease) in employee benefits payable	(10,403,913)	1,583,189
(Increase) decrease in prepaid expenses	(199,440)	(129,987)
<b>CASH PROVIDED BY OPERATING TRANSACTIONS</b>	<b>1,816,758</b>	<b>8,434,608</b>
<b>CAPITAL TRANSACTIONS</b>		
Transfer to financial assets	473,580	-
Cash used to acquire tangible capital assets	(8,805,830)	(15,542,194)
<b>CASH APPLIED TO CAPITAL TRANSACTIONS</b>	<b>(8,332,250)</b>	<b>(15,542,194)</b>
<b>FINANCING TRANSACTIONS</b>		
Long-term liabilities issued	-	626,024
Increase (decrease) in temporary borrowing	4,054,791	6,920,505
Debt repaid	(1,558,229)	(1,474,741)
<b>CASH PROVIDED BY FINANCING TRANSACTIONS</b>	<b>2,496,562</b>	<b>6,071,788</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,018,930)</b>	<b>(1,035,798)</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>9,321,311</b>	<b>10,357,109</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>5,302,381</b>	<b>9,321,311</b>
<b>REPRESENTED BY:</b>		
Cash and cash equivalents	5,302,381	9,321,311

The accompanying notes form an integral part of these financial statements



**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT  
FOR THE YEAR ENDED AUGUST 31, 2012**

	2012 \$	Restated 2011 \$
<b>ANNUAL SURPLUS/(DEFICIT)</b>	<b>9,852,740</b>	<b>(3,176,788)</b>
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of tangible capital assets	(8,805,830)	(15,542,194)
Amortization of tangible capital assets	5,197,877	4,816,719
Write-down on transfer of tangible capital assets	237,086	-
Transfer of tangible capital assets to financial assets	473,580	-
<b>TOTAL TANGIBLE CAPITAL ASSET ACTIVITY</b>	<b>(2,897,287)</b>	<b>(10,725,475)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Use of prepaid expenses	(199,440)	(129,986)
<b>TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY</b>	<b>(199,440)</b>	<b>(129,986)</b>
(Increase) decrease in net debt	6,756,013	(14,032,249)
Net debt at beginning of year	(128,303,175)	(114,270,926)
<b>NET DEBT AT END OF YEAR</b>	<b>(121,547,162)</b>	<b>(128,303,175)</b>

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements 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 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 assets are 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.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**(a) Basis of Accounting - (Cont'd)**

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.

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the School Board 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 ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the statement of financial position at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of this transition to this new financial reporting framework.

**(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 include -

Tri-Board Student Transportation Services Inc. - Note 15  
School Generated Funds

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

**(c) Trust Funds**

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

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED AUGUST 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**(d) Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

**(e) 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.

**(f) Deferred Capital Contribution**

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

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

**(g) 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 gratuity, worker's compensation and long-term disability benefits. On September 11th, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**(g) Retirement and Other Employee Future Benefits - (Cont'd)**

- (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. In prior years, the cost of retirement gratuities that vest or accumulated over the periods of services provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be 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. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's 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.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**(h) Tangible Capital Assets**

Tangible capital assets are recorded at historical cost and 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.

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

<b>Asset</b>	<b>Estimated Useful Life</b>
Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Equipment	5 to 15 years
Furniture	10 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Building 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.

**(i) Government Transfers**

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)**

**(j) Investment Income**

Investment income is reported as revenue in the period earned.

**(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 budget figures are unaudited.

**(l) Use of Estimates**

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

**(m) Related Party**

The Hastings and Prince Edward Learning Foundation is the registered charitable foundation established by the Hastings and Prince Edward District School Board to enhance public education by raising money for services and initiatives that could not otherwise be offered by the Board. The operations of the Foundation are not consolidated but are disclosed in Note 14 to these consolidated financial statements.

**2. ACCOUNTS RECEIVABLE - GOVERNMENT OF ONTARIO**

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009 - 2010. The Hastings and Prince Edward 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 \$42,220,310 as at August 31, 2012 (2011 - \$41,706,247) with respect to capital grants.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**3. ASSETS HELD FOR SALE**

As of August 31, 2012, \$473,580 (2011 - \$Nil) related to buildings was recorded as assets held for sale valued at the lower of net book value and fair market value. During the year, three school properties with a net book value of \$710,666 were reclassified as assets held for sale, thus recognizing a write down of \$237,086 on one of the school properties.

**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS**

**(a) Retirement and Other Employee Future Benefit Liabilities**

	2012			Total Employee Future Benefits \$	2011 Total Employee Future Benefits \$
	Retirement Benefits \$	Sick Leave \$	Other Employee Future Benefits \$		
Accrued Employee Future Benefit Obligations at August 31	22,267,749	-	1,796,821	24,064,570	36,906,399
Unamortized Actuarial Gains (Losses)	-	-	-	-	(2,437,916)
Employee Future Benefits Liability at August 31	22,267,749	-	1,796,821	24,064,570	34,468,483



**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS - (Cont'd)**

**(b) Retirement and Other Employee Future Benefit Expenses**

	<u>2012</u>				2011
	Retirement Benefits \$	Sick Leave \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$	Total Employee Future Benefits \$
Current Year Benefit Cost	1,915,362	384,322	298,982	2,598,666	2,331,060
Interest on Accrued Benefit Obligation	983,512	412,403	7,375	1,403,290	1,470,493
Recognition of Unamortized Actuarial Losses (Gains) On Plan Amendments/ Curtailments	(2,070,906)	(8,921,618)	67,655	(10,924,869)	25,691
<b>Employee Future Benefits Expenses (1)</b>	<b>827,968</b>	<b>(8,124,893)</b>	<b>374,012</b>	<b>(6,922,913)</b>	<b>3,827,244</b>

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

**(c) Plan Changes**

On September 11th, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provisions for accumulation of unused days.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2012**

**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS - (Cont'd)**

**(d) Actuarial Assumptions**

The accrued benefit obligations for employee future benefit plans as at August 31, 2012 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2012. 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:

	2012 %	2011 %
Inflation	2.0	2.0
Wage and salary escalation	-	3.0
Health care cost escalation	9.0	10.0
Dental cost escalation	5.0	6.0

**(e) Retirement Benefits**

**(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 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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2012, the Board contributed \$2,344,434 (2011 - \$1,906,373) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No liability for this type of plan is included in the Board's consolidated financial statements.

**(iii) Retirement Gratuities**

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of \$2,070,906 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated deficit as at August 31, 2012.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS - (Cont'd)**

**(f) Other Employee Future Benefits**

**(i) Workplace Safety and Insurance Board Obligations**

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act 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 financial statements. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision. This resulted in a one-time increase to the Board's obligation of \$124,532 as at August 31, 2012.

**(ii) 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. The Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

**(iii) Sick Leave Benefits**

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time reduction of the obligation of \$8,921,618 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated deficit as at August 31, 2012.

**5. NET LONG-TERM DEBT - CAPITAL LOANS**

Net long-term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	2012	2011
	\$	\$
3.22% Loan, repayable in blended monthly instalments of \$32,107 to January 2017	1,584,251	1,875,637
3.30% Loan, repayable in blended monthly instalments of \$12,065 to April 2017	625,410	740,258
4.40% Loan, repayable in blended monthly instalments of \$23,726 to February 2017	1,140,927	1,369,940

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**5. NET LONG-TERM DEBT - CAPITAL LOANS - (Cont'd)**

4.56% Loan, repayable in blended semi-annual instalments of \$438,422 to November 2031	<b>11,246,903</b>	11,598,808
4.90% Loan, repayable in blended semi-annual instalments of \$379,275 to March 2033	<b>9,823,738</b>	10,091,061
5.062% Loan, repayable in blended semi-annual instalments of \$244,898 to March 2034	<b>6,425,809</b>	6,584,289
5.232% Loan, repayable in blended semi-annual instalments of \$223,609 to April 2035	<b>5,929,464</b>	6,061,258
4.833% Loan, repayable in blended semi-annual instalments of \$21,787 to March 2036	<b>612,544</b>	626,024
	<b>37,389,046</b>	<b>38,947,275</b>

Principal and interest payments relating to net long-term debt outstanding as at August 31, 2012 are due as follows:

	PRINCIPAL \$	INTEREST \$	TOTAL \$
2012/2013	1,672,831	1,757,935	3,430,766
2013/2014	1,746,366	1,684,398	3,430,764
2014/2015	1,823,224	1,607,541	3,430,765
2015/2016	1,903,649	1,527,116	3,430,765
2016/2017	1,528,482	1,463,090	2,991,572
Thereafter	28,714,495	13,117,454	41,831,949
<b>NET LONG-TERM DEBT</b>	<b>37,389,047</b>	<b>21,157,534</b>	<b>58,546,581</b>

Interest on long-term debt amounted to \$1,851,564 (2011 - \$1,949,517).

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**6. TEMPORARY BORROWING**

	2012	Restated 2011
	\$	\$
Bank overdraft with interest payable at bank's prime lending rate	3,449,208	-
Banker Acceptance financing agreements with no interest and maturity dates ranging from September 4, 2012 - September 28, 2012	8,355,000	7,749,417
	<b>11,804,208</b>	<b>7,749,417</b>

The Board has a demand operating line of credit available to the maximum of \$12,000,000 to address operating requirements. At year-end the overdraft amount totalled \$3,449,208 (2011 - \$nil).

At the year-end, the Board has three outstanding Banker Acceptance agreements available to the maximum of \$26,401,000. These loans provide short-term financing to partially pay for capital expenditures for certain schools and for additions/renovations under the Prohibitive to Repair and Enrolment Pressures programs, as well as to finance the construction of two consolidated elementary schools in Tweed and Stirling under the Full Day Kindergarten and Capital Priorities Grant programs. At August 31, 2012, the amount drawn under the Banker's acceptance facility was \$8,355,000 (2011 - \$7,749,417).

Interest on the operating line of credit is the bank's prime lending rate, while banker's acceptance facilities are the bank prime rate less 0.75%.

**7. EXPENSES BY OBJECT**

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

	2012 Budget	2012 Actual	2011 Actual
	\$	\$	\$
<b>Expenses:</b>			
Salary and wages	130,055,125	123,899,790	131,045,998
Employee benefits	18,982,333	18,388,477	19,684,558
Staff development	683,020	600,786	670,066
Supplies and services	16,094,964	12,955,717	12,324,197
Interest	1,885,534	1,851,565	1,995,325
Rental expense	374,800	237,813	282,429
Fees and contract services	15,726,714	15,313,624	15,540,908
Other	207,730	185,906	139,825
Amortization of tangible capital assets	5,113,527	5,434,964	4,816,719
School funded activities	5,260,110	4,777,713	4,915,389
	<b>194,383,857</b>	<b>183,646,355</b>	<b>191,415,414</b>

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**8. TANGIBLE CAPITAL ASSETS**

	Cost (in 000's)				Accumulated Amortization (in 000's)				Net Book Value \$
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Additions \$	Disposals \$	Closing \$	
Land	174	-	-	174	-	-	-	-	174
Land improve- ments	1,118	278	-	1,396	309	93	-	402	994
Buildings	140,630	6,828	1,512	145,946	50,618	3,835	1,038	53,415	92,531
Furniture	197	160	18	339	99	27	18	108	231
Equipment	1,694	108	59	1,743	564	176	59	681	1,062
Computer hardware	5,647	1,207	1,581	5,273	3,193	1,092	1,581	2,704	2,569
Computer software	762	108	10	860	228	170	10	388	472
Vehicles	303	116	81	338	161	41	81	121	217
<b>Total</b>	<b>150,525</b>	<b>8,805</b>	<b>3,261</b>	<b>156,069</b>	<b>55,172</b>	<b>5,434</b>	<b>2,787</b>	<b>57,819</b>	<b>98,250</b>

**Assets Under Construction**

Included above are assets under construction having a value of \$1,915,126 which have not been amortized. Amortization of these assets will commence when the asset is put into service.

**Write-down of Tangible Capital Assets**

The write-down of tangible capital assets during the year was \$237,086 (2011 - \$Nil)

**Asset inventories for resale (assets permanently removed from service)**

The board has identified three building properties that qualify as "assets permanently removed from service". \$710,666 related to buildings has been removed from the net book value ending balance as of August 31, 2012.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**9. 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 expensed by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2012	2011
	\$	\$
Balance, beginning of year	90,853,552	79,491,495
Additions to deferred capital contributions	8,805,830	15,542,194
Revenue recognized in the period	(5,434,963)	(4,548,090)
Amount transferred to financial assets	(473,580)	-
Recognition of deferred revenue to prior eligible capital expenses	268,627	367,953
<b>Balance, end of year</b>	<b>94,019,466</b>	<b>90,853,552</b>

**10. ACCUMULATED DEFICIT**

	2012	2011
	\$	\$
<b>Accumulated deficit consists of the following:</b>		
<b>Available for compliance - unappropriated:</b>		
Operating accumulated surplus (deficit)	(92,148)	849,406
<b>Available for compliance - internally appropriated</b>		
Workplace Safety and Insurance Board	619,414	612,900
Future Benefits	2,337,345	2,312,762
<b>Unavailable for compliance:</b>		
Employee Future Benefits	(24,064,570)	(34,468,483)
Interest to be accrued	(485,162)	(498,092)
Vacation accrued	(429,290)	(859,290)
School Generated Funds	2,078,985	2,162,631
Revenues recognized for land	173,733	173,733
<b>Total Deficit</b>	<b>(19,861,693)</b>	<b>(29,714,433)</b>

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**11. TRUST FUNDS**

Trust funds administered by the School Board amounting to \$1,938,078 (2011 - \$1,841,117) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations.

**12. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)**

The School 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 \$24,000,000 per occurrence.

The ultimate premiums over a one-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 January 1, 2016.

**13. CONTINGENT LIABILITIES**

**Legal Matters**

There are three claims with respect to incidents in the amounts of \$2,800,000, \$3,500,000 and \$3,850,000. The Board believes that any settlement of these matters would be the responsibility of the Board's insurers, with the exception of \$1,500,000, for which the insurer denies responsibility.

No provision for a loss has been provided in these financial statements.

**14. RELATED PARTY**

**The Hastings and Prince Edward Learning Foundation**

	2012	2011
	\$	\$
Fund balance		
Balance - Beginning of year	604,833	513,230
Excess of Revenue over Expenses	28,936	91,603
<b>Balance - End of year</b>	<b>633,769</b>	<b>604,833</b>
During the year, the Foundation reported:		
	2012	2011
	\$	\$
Revenues	1,537,162	1,344,077
Expenses	1,508,226	1,252,474
<b>Excess of Revenue over Expenses</b>	<b>28,936</b>	<b>91,603</b>



**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**15. PARTNERSHIP IN TRI-BOARD TRANSPORTATION SERVICES INC.**

**Transportation Consortium**

On September 12, 2006, the Tri-Board Student Transportation Services Inc. was incorporated. On November 1, 2006, the Board entered into an agreement with the Tri-Board Student Transportation Services Inc. 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 the Tri-Board Student Transportation Services Inc. was established, decisions related to the financial and operating activities of the Tri-Board Student Transportation Services Inc. 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:

	2012		2011	
	Total \$	Board Portion \$	Total \$	Board Portion \$
<b>Financial Position:</b>				
Financial Assets	944,947	314,982	551,776	183,926
Financial Liabilities	1,359,422	453,140	1,020,939	340,313
Non-Financial Assets	414,475	138,158	469,163	156,387
Accumulated Surplus (Deficit)	-	-	-	-
<b>Operations:</b>				
Revenues	39,178,890	13,059,630	37,968,238	12,656,079
Expenses	39,178,890	13,059,630	37,968,238	12,656,079
Annual Surplus/ (Deficit)	-	-	-	-

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**16. FINANCIAL INSTRUMENTS**

It is the Board's opinion that they are not exposed to significant credit, currency risk or interest rate risk.

**Fair Value of Current Assets and Liabilities**

The fair value of cash, accounts receivable, temporary borrowings and accounts payable and accrued liabilities approximates the carrying value due to their immediate or short-term maturity.

**Fair Value of Long-Term Liabilities**

The fair value of the net long-term liabilities and employee future benefits payable value are considered to approximate their carrying value due to the following:

- (i) The net long-term liabilities interest rates are similar to present rates.
- (ii) The employee future benefit payable is based on the actuarial report completed as at August 31, 2012, which is updated annually.

**17. SUBSEQUENT EVENT**

On September 11th, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27th, 2012. The requirements of this new legislation was used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in Note 4c.

**18. PRIOR PERIOD ADJUSTMENT**

As part of the 2010 capital wrap-up, the Ministry of Education indicated that pupil accommodation reserves as of August 31, 2010 would be recovered through offsets against amounts owing for future capital grant entitlement or against cash payable to school boards for supported debt servicing costs. This was intended to ensure that there would not be a duplication of capital funding. To facilitate this offset, Boards were to report the one-time grant and receivable that recognized the existing capital debt net of the pupil accommodation debt reserve as of August 31, 2010.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD  
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**18. PRIOR PERIOD ADJUSTMENT - (Cont'd)**

The pupil accommodation reserve was not taken into consideration in calculating the receivable from the Ministry and as a result, the receivable and accumulated surplus were overstated by \$2,477,093; the amount in the pupil accommodation reserve at that date. To reflect the adjustment, the statements of financial position and operations have been restated as follows:

	2011
	\$
Accumulated Deficit - Beginning of Year - as previously reported	(24,060,552)
Adjustment for pupil accommodation reserve	(2,477,093)
Accumulated Deficit - Beginning of Year - as restated	(26,537,645)
	2011
	\$
Accounts receivable - Government of Ontario - as previously reported	44,183,340
Adjustment for pupil accommodation reserve	(2,477,093)
Accounts receivable - Government of Ontario - as restated	41,706,247