

**Hastings and Prince Edward  
District School Board  
Consolidated Financial Statements  
For the year ended August 31, 2015**

**Contents**

---

<b>Management Report</b>	<b>2</b>
<b>Independent Auditor's Report</b>	<b>3 - 4</b>
<b>Consolidated Financial Statements</b>	
Consolidated Statement of Financial Position	<b>5</b>
Consolidated Statement of Operations	<b>6</b>
Consolidated Statement of Cash Flow	<b>7</b>
Consolidated Statement of Changes in Net Debt	<b>8</b>
Notes to Consolidated Financial Statements	<b>9 - 25</b>



## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements


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

The preparation of 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 meets with management and the external auditors to review the 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 BDO Canada LLP, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

  
\_\_\_\_\_  
Director of Education

  
\_\_\_\_\_  
Superintendent of Business Services

November 16, 2015



## Independent Auditor's Report

---

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

We have audited the accompanying consolidated financial statements of the Hastings and Prince Edward District School Board, which comprise the consolidated statement of financial position as at August 31, 2015, and the consolidated statements of operations, changes in net debt and cash flow for the year then ended along with a summary of significant accounting policies and other explanatory information.

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

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

### Auditor's Responsibility

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

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

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



## Opinion

In our opinion, the consolidated financial statements of the Hastings and Prince Edward District School Board for the year ended August 31, 2015 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

## Emphasis of Matter

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

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

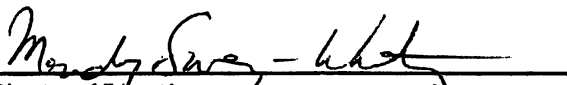
Peterborough, Ontario  
November 16, 2015

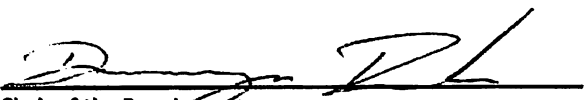
# Hastings and Prince Edward District School Board

## Consolidated Statement of Financial Position

August 31	2015	2014
	(in thousands of dollars)	
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 4,743	\$ 6,615
Accounts receivable		
Government of Ontario - approved capital (Note 3)	37,758	48,679
Other	7,535	8,522
Assets held for sale (Note 8)	509	-
	<u>50,545</u>	<u>63,816</u>
<b>Financial Liabilities</b>		
Temporary borrowing (Note 4)	571	6,867
Accounts payable and accrued liabilities	8,021	13,439
Net long-term debt (Note 5)	36,572	37,833
Deferred capital contributions (Note 7)	129,708	129,432
Deferred revenue (Note 9)	5,309	4,605
Employee future benefits liability (Note 10)	21,001	22,141
	<u>201,182</u>	<u>214,317</u>
<b>Net Debt</b>	<u>(150,637)</u>	<u>(150,501)</u>
<b>Contingent Liabilities (Note 18)</b>		
<b>Commitments (Note 19)</b>		
<b>Non-Financial Assets</b>		
Prepaid expenses	4,152	3,249
Tangible capital assets (Note 14)	133,737	133,933
	<u>137,889</u>	<u>137,182</u>
<b>Accumulated Deficit (Note 15)</b>	\$ (12,748)	\$ (13,319)

Signed on behalf of the Board

  
Director of Education

  
Chair of the Board

The accompanying notes are an integral part of these consolidated financial statements.

# Hastings and Prince Edward District School Board

## Consolidated Statement of Operations

For the year ended August 31	Budget 2015	Actual 2015	Actual 2014
	(in thousands of dollars)		
<b>Revenues</b>			
Provincial legislative grants	\$ 176,247	\$ 177,239	\$ 170,232
Provincial grants - other	1,395	2,834	10,523
School generated funds	3,948	3,751	4,051
Federal grants and fees	1,408	1,661	1,569
Investment income	80	81	164
Other revenues - School Boards	9	15	16
Other fees and revenues	1,860	1,933	2,345
Amortization of deferred capital contributions	6,143	8,258	5,779
	<u>191,090</u>	<u>195,772</u>	<u>194,679</u>
<b>Expenses (Note 12)</b>			
Instruction	141,177	145,323	143,204
Administration	5,728	5,571	5,779
Transportation	13,772	13,515	13,384
Pupil accommodation	24,559	26,987	25,758
School generated funds	4,047	3,805	3,951
	<u>189,283</u>	<u>195,201</u>	<u>192,076</u>
<b>Annual surplus</b>	1,807	571	2,603
<b>Accumulated deficit, beginning of year</b>	<u>(15,641)</u>	<u>(13,319)</u>	<u>(15,922)</u>
<b>Accumulated deficit, end of year</b>	<u>\$ (13,834)</u>	<u>\$ (12,748)</u>	<u>\$ (13,319)</u>

The accompanying notes are an integral part of these consolidated financial statements.



# Hastings and Prince Edward District School Board

## Consolidated Statement of Cash Flow

For the year ended August 31	2015	2014
	(in thousands of dollars)	
<b>Operations</b>		
Annual surplus	\$ 571	\$ 2,603
Sources and (uses)		
Changes in non-cash items:		
Amortization of tangible capital assets, gain (loss) on disposal and transfers of assets held for sale	9,036	6,062
Amortization of deferred capital contributions	(8,258)	(5,779)
	1,349	2,886
Change in non-cash working capital balances		
Accounts receivable	986	(429)
Assets held for sale	(509)	200
Accounts payable and accrued liabilities	(5,418)	(3)
Deferred revenues - operating	(273)	(1,301)
Change in employee future benefits liability	(1,140)	(1,190)
Prepaid expenses	(903)	91
	(5,908)	254
<b>Net increase (decrease) in cash from operations</b>		
<b>Capital Transactions</b>		
Cash used to acquire tangible capital assets	(8,839)	(22,702)
<b>Financing</b>		
Long-term debt issued	664	-
Change in temporary borrowing	(6,296)	576
Government of Ontario - approved capital receivable	10,922	2,529
Additions to deferred capital contributions	8,533	21,879
Debt repayments	(1,925)	(1,845)
Decrease in deferred revenues - capital	977	142
	12,875	23,281
<b>Increase (decrease) in cash and equivalents during the year</b>	(1,872)	833
<b>Cash and equivalents, beginning of year</b>	6,615	5,782
<b>Cash and equivalents, end of year</b>	\$ 4,743	\$ 6,615

The accompanying notes are an integral part of these consolidated financial statements.

---

## Hastings and Prince Edward District School Board

### Consolidated Statement of Changes in Net Debt

<u>For the year ended August 31</u>	<u>2015</u>	<u>2014</u>
	(in thousands of dollars)	
<b>Annual Surplus</b>	<b>\$ 571</b>	<b>\$ 2,603</b>
<b>Tangible Capital Asset Activity</b>		
Acquisition of tangible capital assets	(8,839)	(22,702)
Amortization of tangible capital assets	6,365	6,062
Transfer to assets held for sale	509	-
Write-downs of tangible capital assets	2,161	-
	<u>196</u>	<u>(16,640)</u>
<b>Other Non-Financial Asset Activity</b>		
Change in prepaid expenses	<u>(903)</u>	<u>91</u>
<b>Change in net debt</b>	<b>(136)</b>	<b>(13,946)</b>
<b>Net debt, beginning of year</b>	<b>(150,501)</b>	<b>(136,555)</b>
<b>Net debt, end of year</b>	<b>\$ (150,637)</b>	<b>\$ (150,501)</b>

The accompanying notes are an integral part of these consolidated financial statements.



---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

### 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 asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

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.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

### 1. Significant Accounting Policies (continued)

#### (b) Reporting Entity

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

School generated funds, which include the assets, liabilities, revenues, expenses and fund balances of various organizations that exist at the school level and which are controlled by the Board.

Consolidated entities include:

Tri-Board Student Transportation Services Inc. (Note 20)  
School Generated Funds

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

#### (c) 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 17 to these consolidated financial statements.

#### (d) 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. The balances of these funds are disclosed in Note 13 to these consolidated financial statements.

#### (e) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and short-term investments.

#### (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 expenses are incurred or services performed.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

### 1. Significant Accounting Policies (continued)

#### (g) Deferred Capital Contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital 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:

- 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, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. 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 & health care cost trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and 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 & 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 insurance benefit obligations that arise from specific events that occur from time to time, such as obligations for workers compensation and, 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

August 31, 2015

---

1. Significant Accounting Policies (continued)

(i) Tangible Capital Assets

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

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

<u>Asset</u>	<u>Estimated Useful Life in Years</u>
Land improvements with finite lives	15
Buildings and building improvements	40
Portable structures	20
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10

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.

---

# Hastings and Prince Edward District School Board

## Summary of Significant Accounting Policies

August 31, 2015

---

### 1. Significant Accounting Policies (continued)

#### (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.

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.

#### (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 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.

#### (m) Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in (a) above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. The principal estimates used in the preparation of these financial statements are the determination of the liability for post-retirement benefits and the estimated useful life of tangible capital assets. Actual results could differ from these estimates.

#### (n) Property Tax Revenue

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

---

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

(tabular amounts in thousands of dollars)

### 2. Change in Accounting Policy

The Board has implemented Public Sector Accounting Board (“PSAB”) section 3260 Liability for contaminated sites. Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. This change has been applied retroactively without the restatement of prior periods.

The adoption of this standard did not have an impact on the Board’s financial statements.

---

### 3. Accounts Receivable - Government of Ontario

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. 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 \$37,756,957 as at August 31, 2015 (2014 - \$48,678,602) with respect to capital grants.

---

### 4. Temporary Borrowing

	2015	2014
Banker Acceptance financing agreements	\$ 571	\$ 6,867

---

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 \$Nil (2014 - \$Nil). Interest on the operating line of credit are at the bank’s prime lending rate.

At year-end, the Board has three outstanding Banker Acceptance agreements available to the maximum of \$13,300,000. 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 the Capital Priorities Grant programs. At August 31, 2015, the amount drawn under the Banker’s acceptance facility was \$571,000 (2014 - \$6,867,400). Interest on the banker’s acceptance facilities are at the bank prime rate less 0.75% per annum.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

(tabular amounts in thousands of dollars)

### 5. Net Long-Term Debt

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

	<u>2015</u>	<u>2014</u>
Demand instalment loan, 3.22% per annum, repayable in blended monthly payments of \$32,107, due January 2017	\$ 533	\$ 895
Demand instalment loan payable, 3.30% per annum, repayable in blended monthly payments of \$12,065, due April 2017	234	369
Demand instalment loan payable, 4.40% per annum, repayable in blended monthly payments of \$23,726, due February 2017	390	651
Ontario Finance Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	10,091	10,494
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	8,940	9,249
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	5,900	6,084
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	5,491	5,645
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	568	583
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	3,761	3,863
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	664	-
	<u>\$ 36,572</u>	<u>\$ 37,833</u>



---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

(tabular amounts in thousands of dollars)

### 5. Net Long-Term Debt - continued

Payments relating to net long-term debt outstanding as at August 31, 2015 are due as follows:

	Principal	Interest	Total
2016	\$ 2,028	\$ 1,689	\$ 3,717
2017	1,673	1,604	3,277
2018	1,364	1,538	2,902
2019	1,429	1,473	2,902
2020	1,498	1,404	2,902
Thereafter	28,580	10,515	39,095
	<u>\$ 36,572</u>	<u>\$ 18,223</u>	<u>\$ 54,795</u>

---

### 6. Debt Charges and Capital Loan Interest

	2015	2014
Principal payments on long-term liabilities	\$ 1,925	\$ 1,845
Interest payments on long-term liabilities	1,866	1,729
	<u>\$ 3,791</u>	<u>\$ 3,574</u>

---

### 7. 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.

	2015	2014
Opening balance	\$ 129,432	\$ 113,332
Additions to deferred capital contributions	8,478	21,879
Revenue recognized in the year	(8,258)	(5,779)
Disposals and transfers of financial assets	(509)	-
Recognition of previously deferred capital contributions	565	-
	<u>\$ 129,708</u>	<u>\$ 129,432</u>

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

(tabular amounts in thousands of dollars)

### 8. Assets Held for Sale

As of August 31, 2015, \$509,490 (2014 - \$nil) related to buildings was recorded as assets held for sale valued at the lower of net book value and fair market value.

### 9. Deferred Revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2015 is comprised of:

	Balance as at August 31 2014	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2015
<b>Capital</b>					
School renewal	\$ -	\$ 3,413	\$ 1,557	\$ 1,794	\$ 62
School condition improvement	-	2,549	565	1,709	275
Minor tangible capital assets	-	4,367	3,235	1,132	-
Interest on capital	-	1,809	1,701	108	-
Retrofitting school space	598	10	-	-	608
Proceeds of disposition	1,225	125	-	-	1,350
Assets held for sale	-	509	-	-	509
	<b>1,823</b>	<b>12,782</b>	<b>7,058</b>	<b>4,743</b>	<b>2,804</b>
<b>Operating</b>					
Special education	-	21,309	21,309	-	-
SEA formula based funding	803	668	692	-	779
Tuition - international student	1,169	1,174	1,169	-	1,174
EPO Grants	810	2,576	2,834	-	552
	<b>2,782</b>	<b>25,727</b>	<b>26,004</b>	<b>-</b>	<b>2,505</b>
	<b>\$ 4,605</b>	<b>\$ 38,509</b>	<b>\$ 33,062</b>	<b>\$ 4,743</b>	<b>\$ 5,309</b>

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

### 10. Retirement and Other Employee Future Benefits

#### Liabilities

	2015				2014	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Accrued benefit obligation	\$ 20,736	\$ 111	\$ 1,159	\$ 22,006	\$ 22,329	
Unamortized actuarial (gains) losses	1,005	-	-	1,005	188	
Employee future benefits liability	<u>\$ 19,731</u>	<u>\$ 111</u>	<u>\$ 1,159</u>	<u>\$ 21,001</u>	<u>\$ 22,141</u>	

#### Change in Employee Future Benefit Liability

	2015				2014	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Current year benefit cost	\$ -	\$ 111	\$ 337	\$ 448	\$ 318	
Interest on accrued benefit obligation	575	-	32	607	730	
Benefit payments <sup>1</sup>	(1,764)	(109)	(349)	(2,222)	(2,293)	
Amortization of actuarial (gains)/losses	13	12	4	29	68	
Net change	<u>\$ (1,176)</u>	<u>\$ 14</u>	<u>\$ 24</u>	<u>\$ (1,138)</u>	<u>\$ (1,177)</u>	

<sup>1</sup> Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan described below

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

### 10. Retirement and Other Employee Future Benefits - continued

#### Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2015 are based on actuarial valuations completed for accounting purposes as at August 31, 2015. Economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2015</u>	<u>2014</u>
Inflation	1.5 %	2.0 %
Wage and salary escalation	- %	- %
Insurance and health care cost escalation	8.50 %	8.75 %
Dental cost escalation	4.50 %	4.75 %
Discount rate	2.45 %	2.9 %

#### Retirement Benefits

##### (i) Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of the Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province 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 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, 2015, the Board contributed \$2,483,622 (2014 - \$2,493,823) 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 financial statements.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

### 10. Retirement and Other Employee Future Benefits - continued

#### (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.

#### 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. Plan changes made in 2012 require school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision. The Board holds funds on account in the amount of \$638,907 (2014 - \$632,848) with the purpose of meeting these obligations when necessary.

##### (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 Top-Up Benefits

As a result of changes made in 2012-2013 to the short term sick leave and disability plan, a maximum of eleven unused sick 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 costs expensed in the financial statements are \$111,058.

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2012 and is based on the average daily salary and banked sick days of employees as at August 31, 2015.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

(tabular amounts in thousands of dollars)

### 11. 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 five year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rate share of claims experience. The current five year term expires January 1, 2016.

---

### 12. Expenditures by Object

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

	Budget 2015	Actual 2015	Actual 2014
<b>Current expenses</b>			
Salary and wages	\$ 128,646	\$ 132,839	\$ 131,090
Employee benefits	18,246	18,596	18,291
Staff development	735	649	600
Supplies and services	13,606	13,657	14,998
Interest	1,747	1,741	1,813
Rental expenses	303	165	183
Fees and contract services	15,385	15,095	14,954
Other	156	128	134
Amortization and write down of tangible capital assets	6,412	8,526	6,062
School funded activities	4,047	3,805	3,951
	<u>\$ 189,283</u>	<u>\$ 195,201</u>	<u>\$ 192,076</u>

---

### 13. Trust Funds

Trust funds administered by the Board amounting to \$1,805,139 (2014 - \$1,800,260) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

(tabular amounts in thousands of dollars)

### 14. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	Net Book Value
	Opening	Additions	Disposals	Closing	Opening	Additions	Disposals	Closing	2015	2014
Land	\$ 417	\$ 361	\$ -	\$ 778	\$ -	\$ -	\$ -	\$ -	\$ 778	\$ 417
Land improvements	1,856	263	(10)	2,109	644	145	(10)	779	1,330	1,212
Buildings	177,911	15,902	(4,840)	188,973	60,959	6,869	(4,331)	63,497	125,476	116,952
Construction in progress	10,122	988	(10,021)	1,089	-	-	-	-	1,089	10,122
Furniture	1,642	285	(14)	1,913	297	178	(14)	461	1,452	1,345
Equipment	1,863	128	(120)	1,871	912	206	(121)	997	874	951
Computer hardware	4,489	907	(851)	4,545	2,230	902	(851)	2,281	2,264	2,259
Computer software	1,005	18	(248)	775	601	166	(248)	519	256	404
Vehicles	463	7	-	470	192	60	-	252	218	271
	<b>\$ 199,768</b>	<b>\$ 18,859</b>	<b>\$ (16,104)</b>	<b>\$ 202,523</b>	<b>\$ 65,835</b>	<b>\$ 8,526</b>	<b>\$ (5,575)</b>	<b>\$ 68,786</b>	<b>\$ 133,737</b>	<b>\$ 133,933</b>



---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

(tabular amounts in thousands of dollars)

### 15. Accumulated Surplus (Deficit)

Accumulated surplus (deficit) consists of the following:

	<u>2015</u>	<u>2014</u>
<b>Available for Compliance - Unappropriated</b>		
Operating accumulated surplus (deficit)	\$ 3,248	\$ 4,920
<b>Available for Compliance - Internally Appropriated</b>		
Workplace Safety and Insurance Board	639	633
<b>Total Available for Compliance</b>	<u>3,887</u>	<u>5,553</u>
<b>Unavailable for Compliance</b>		
School generated funds	2,011	2,065
Revenues recognized for land	701	339
Interest to be accrued	(478)	(494)
Employee future benefits	<u>(18,869)</u>	<u>(20,782)</u>
<b>Total Unavailable for Compliance</b>	<u>(16,635)</u>	<u>(18,872)</u>
<b>Total Accumulated Surplus (Deficit)</b>	<u>\$ (12,748)</u>	<u>\$ (13,319)</u>

---

### 16. Subsequent Events

Subsequent to August 31, 2015, the Ontario Secondary School Teachers' Federation and the Elementary Teachers' Federation of Ontario ratified agreements at the central level which include a voluntary retirement gratuity early payout provision. The provision may have a future impact on the Board's employee future benefit liability. There is no impact to the 2014-2015 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements local ratification has occurred for the Ontario Secondary School Teachers' Federation but not for the Elementary Teachers' Federation of Ontario.

The voluntary retirement gratuity early payout provision provides Ontario Secondary School Teachers' Federation and the Elementary Teachers' Federation of Ontario members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the board's 2015-2016 year financial statements. At this time, the change in the liability cannot be estimated since members of Ontario Secondary School Teachers' Federation and the Elementary Teachers' Federation of Ontario members are not yet able to declare their participation in the voluntary retirement gratuity early payout option.

---

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

(tabular amounts in thousands of dollars)

### 17. The Hastings and Prince Edward Learning Foundation

The Board is related to The Hastings and Prince Edward Learning Foundation ("the Foundation"), but does not have the ability to exercise control over the Foundation. As such, the Foundation has not been consolidated into the financial statements of the Board.

The following provides condensed financial information:

	2015	2014
<b>Fund Balances</b>		
Fund balance, beginning of year	\$ 796	\$ 658
Excess of revenue over expenses	309	138
Fund balance, end of year	<u>\$ 1,105</u>	<u>\$ 796</u>
<b>Operations</b>		
Revenues	\$ 1,845	\$ 1,408
Expenses	1,536	1,270
Excess of revenue over expenses	<u>\$ 309</u>	<u>\$ 138</u>

---

### 18. Contingent Liabilities

The Board is party to several claims seeking judgments totalling \$16,650,000, and are currently under consideration in the courts. The Board believes that the majority of these claims would be eligible for coverage under the Board's insurance policy. Should the courts decide against the Board, uninsured damages could amount to \$4,000,000. The ultimate outcome of these claims is uncertain and as such, no amounts have been recorded as a liability in the consolidated financial statements.

---

### 19. Commitments

The Board has received Ministry of Education approval to undertake the replacement of Queen Elizabeth PS. The approval of this capital project amounts to \$12,838,163. At August 31, 2015, none of this work has been performed, and all remaining costs will be incurred subsequent to year end.

---

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2015

---

(tabular amounts in thousands of dollars)

### 20. Partnership in Tri-Board Transportation Services Inc

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 proportionally 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:

	2015		2014	
	Total	Board Portion	Total	Board Portion
<b>Financial Position:</b>				
Financial assets	\$ 4,280	\$ 1,427	\$ 1,446	\$ 482
Financial liabilities	4,513	1,504	1,853	618
Non-financial assets	232	77	282	94
Accumulated surplus (deficit)	\$ (1)	\$ -	\$ (125)	\$ (42)
<b>Operations:</b>				
Revenues	\$ 37,245	\$ 12,415	\$ 36,998	\$ 12,333
Expenses	37,121	12,374	36,977	12,326
Annual surplus / (deficit)	\$ 124	\$ 41	\$ 21	\$ 7

---