

**Hastings and Prince Edward
District School Board
Consolidated Financial Statements
For the year ended August 31, 2016**

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Dwayne Inch, Chair of the Board
Mandy Savery-Whiteway, Director of Education

MANAGEMENT REPORT

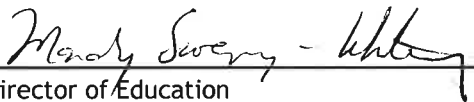
Management's Responsibility for the Financial Statements

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.

The 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 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 21, 2016



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, 2016, 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, 2016 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

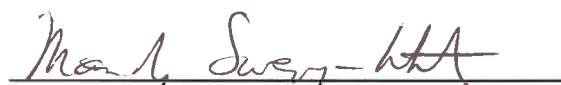
Peterborough, Ontario
November 21, 2016

Hastings and Prince Edward District School Board

Consolidated Statement of Financial Position

August 31	2016	2015
	(in thousands of dollars)	
Financial Assets		
Cash and cash equivalents	\$ 2,905	\$ 4,743
Accounts receivable		
Government of Ontario - approved capital (Note 2)	44,454	37,758
Other	7,978	7,535
Assets held for sale (Note 7)	-	509
	<u>55,337</u>	<u>50,545</u>
Financial Liabilities		
Temporary borrowing (Note 3)	3,378	571
Accounts payable and accrued liabilities	11,882	8,021
Net long-term debt (Note 4)	35,044	36,572
Deferred capital contributions (Note 6)	135,155	129,708
Deferred revenue (Note 8)	7,499	5,309
Employee future benefits liability (Note 9)	18,199	21,001
	<u>211,157</u>	<u>201,182</u>
Net Debt	<u>(155,820)</u>	<u>(150,637)</u>
Contingent Liabilities (Note 16)		
Commitments (Note 17)		
Non-Financial Assets		
Prepaid expenses	4,035	4,151
Tangible capital assets (Note 13)	139,543	133,737
	<u>143,578</u>	<u>137,888</u>
Accumulated Deficit (Note 14)	\$ (12,242)	\$ (12,749)

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 2016	Actual 2016	Actual 2015
	(in thousands of dollars)		
Revenues			
Provincial legislative grants	\$ 181,720	\$ 184,930	\$ 185,497
Provincial grants - other	1,696	3,347	2,834
School generated funds	3,948	3,663	3,751
Federal grants and fees	1,682	1,665	1,661
Investment income	100	48	81
Other revenues - School Boards	16	13	15
Other fees and revenues	1,940	1,888	1,933
	191,102	195,554	195,772
Expenses (Note 11)			
Instruction	142,454	148,392	145,323
Administration	5,669	6,120	5,571
Transportation	12,975	12,791	13,515
Pupil accommodation	24,143	24,235	26,987
School generated funds	3,948	3,510	3,805
	189,189	195,048	195,201
Annual surplus	1,913	506	571
Accumulated deficit, beginning of year	(15,641)	(12,748)	(13,319)
Accumulated deficit, end of year	\$ (13,728)	\$ (12,242)	\$ (12,748)

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	2016	2015
	(in thousands of dollars)	
Operations		
Annual surplus	\$ 506	\$ 571
Sources and (uses)		
Changes in non-cash items:		
Amortization of tangible capital assets, gain (loss) on disposal and transfers of assets held for sale	6,700	9,036
Amortization of deferred capital contributions	<u>(6,431)</u>	<u>(8,258)</u>
	775	1,349
Change in non-cash working capital balances		
Accounts receivable	(441)	986
Assets held for sale	509	(509)
Accounts payable and accrued liabilities	3,861	(5,418)
Deferred revenues - operating	(58)	(273)
Change in employee future benefits liability	(2,802)	(1,140)
Prepaid expenses	<u>117</u>	<u>(903)</u>
Net increase (decrease) in cash from operations	<u>1,961</u>	<u>(5,908)</u>
Capital Transactions		
Cash used to acquire tangible capital assets	<u>(12,506)</u>	<u>(8,839)</u>
Financing		
Long-term debt issued	500	664
Change in temporary borrowing	2,807	(6,296)
Government of Ontario - approved capital receivable	(6,697)	10,922
Additions to deferred capital contributions	11,878	8,533
Debt repayments	(2,028)	(1,925)
Decrease in deferred revenues - capital	<u>2,247</u>	<u>977</u>
	<u>8,707</u>	<u>12,875</u>
Increase (decrease) in cash and equivalents during the year	<u>(1,838)</u>	<u>(1,872)</u>
Cash and equivalents, beginning of year	<u>4,743</u>	<u>6,615</u>
Cash and equivalents, end of year	<u>\$ 2,905</u>	<u>\$ 4,743</u>

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>2016</u>	<u>2015</u>
	(in thousands of dollars)	
Annual Surplus	<u>\$ 506</u>	<u>\$ 571</u>
Tangible Capital Asset Activity		
Acquisition of tangible capital assets	(12,506)	(8,839)
Amortization of tangible capital assets	6,431	6,365
Transfer to assets held for sale	-	509
Write-downs of tangible capital assets	269	2,161
	<u>(5,806)</u>	<u>196</u>
Other Non-Financial Asset Activity		
Change in prepaid expenses	<u>117</u>	<u>(903)</u>
Change in net debt	(5,183)	(136)
Net debt, beginning of year	<u>(150,637)</u>	<u>(150,501)</u>
Net debt, end of year	<u>\$ (155,820)</u>	<u>\$ (150,637)</u>

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, 2016

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, 2016

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 are reflected in the consolidated financial statements.

Consolidated entities include:

Tri-Board Student Transportation Services Inc. (Note 18)
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 15 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 12 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, 2016

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, 2016

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:

Asset	Estimated Useful Life in Years
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, 2016

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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

(k) Investment Income

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation 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, 2016

(tabular amounts in thousands of dollars)

2. 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 \$44,454,047 as at August 31, 2016 (2015 - \$37,756,957) with respect to capital grants.

3. Temporary Borrowing

	2016	2015
Demand operating line of credit	\$ 1,031	\$ -
Banker Acceptance financing agreements	2,347	571
	<u>\$ 3,378</u>	<u>\$ 571</u>

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 \$1,030,594 (2015 - \$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, 2016, the amount drawn under the Banker's acceptance facility was \$2,347,000 (2015 - \$571,000). Interest on the banker's acceptance facilities are based on bankers acceptance rate plus 75 basis points.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

4. Net Long-Term Debt

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

	<u>2016</u>	<u>2015</u>
Demand instalment loan, 3.22% per annum, repayable in blended monthly payments of \$32,107, due January 2017	\$ 159	\$ 533
Demand instalment loan payable, 3.30% per annum, repayable in blended monthly payments of \$12,065, due April 2017	95	234
Demand instalment loan payable, 4.40% per annum, repayable in blended monthly payments of \$23,726, due February 2017	117	390
Ontario Finance Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	9,669	10,091
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	8,615	8,940
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	5,706	5,900
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	5,329	5,491
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	552	568
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	3,655	3,761
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	647	664
Ontario Financing Authority loan payable, 3.242% per annum, repayable in semi-annual blended payments of \$14,737, maturing March 2041	500	-
	<u>\$ 35,044</u>	<u>\$ 36,572</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

4. Net Long-Term Debt - continued

Payments relating to net long-term debt outstanding as at August 31, 2016 are due as follows:

	Principal	Interest	Total
2017	\$ 1,686	\$ 1,621	\$ 3,307
2018	1,378	1,554	2,932
2019	1,433	1,488	2,921
2020	1,512	1,419	2,931
2021	1,585	1,346	2,931
Thereafter	27,450	9,342	36,792
	<u>\$ 35,044</u>	<u>\$ 16,770</u>	<u>\$ 51,814</u>

5. Debt Charges and Capital Loan Interest

	2016	2015
Principal payments on long-term liabilities	\$ 2,028	\$ 1,925
Interest payments on long-term liabilities	1,688	1,866
	<u>\$ 3,716</u>	<u>\$ 3,791</u>

6. Deferred Capital Contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2016	2015
Opening balance	\$ 129,708	\$ 129,432
Additions to deferred capital contributions	11,878	8,478
Revenue recognized in the year	(6,431)	(8,258)
Disposals and transfers of financial assets	-	(509)
Recognition of previously deferred capital contributions	-	565
	<u>\$ 135,155</u>	<u>\$ 129,708</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

7. Assets Held for Sale

As of August 31, 2016, \$Nil (2015 - \$509,490) related to buildings was recorded as assets held for sale. During the year, three school properties were sold. Net proceeds of \$697,093 were received on the sale of these properties, which had a carrying value of \$1,130,223, resulting in a loss of \$433,130.

8. Deferred Revenue

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

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2016 is comprised of:

	Balance as at August 31 2015	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2016
Capital					
School renewal	\$ 62	\$ 3,702	\$ 2,355	\$ (840)	\$ 2,249
School condition improvement	275	-	-	275	-
Minor tangible capital assets	-	4,359	3,919	440	-
Interest on capital	-	1,709	1,662	47	-
Retrofitting school space	608	-	-	-	608
Proceeds of disposition	1,350	844	-	-	2,194
Assets held for sale	509	(509)	-	-	-
	2,804	10,105	7,936	(78)	5,051
Operating					
Special education	-	21,341	21,341	-	-
Other provincial grants	-	1,174	1,174	-	-
SEA formula based funding	779	541	431	-	889
Tuition - international student	1,174	1,257	1,174	-	1,257
EPO Grants	552	302	552	-	302
	2,505	24,615	24,672	-	2,448
	\$ 5,309	\$ 34,720	\$ 32,608	\$ (78)	\$ 7,499

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

9. Retirement and Other Employee Future Benefits

Liabilities

	2016				2015	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Accrued benefit obligation	\$ 18,527	\$ 79	\$ 1,602	\$ 20,208	\$ 22,006	
Unamortized actuarial (gains) losses	2,009	-	-	2,009	1,005	
Employee future benefits liability	<u>\$ 16,518</u>	<u>\$ 79</u>	<u>\$ 1,602</u>	<u>\$ 18,199</u>	<u>\$ 21,001</u>	

Change in Employee Future Benefit Liability

	2016				2015	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Current year benefit cost	\$ -	\$ 79	\$ 815	\$ 894	\$ 448	
Interest on accrued benefit obligation	483	-	34	517	607	
Benefit payments ¹	(3,297)	(39)	(330)	(3,666)	(2,222)	
Change due to plan amendment	(377)	-	-	(377)	-	
Amortization of actuarial (gains)/losses	87	(72)	(76)	(61)	29	
Net change	<u>\$ (3,104)</u>	<u>\$ (32)</u>	<u>\$ 443</u>	<u>\$ (2,693)</u>	<u>\$ (1,138)</u>	

¹ 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, 2016

9. Retirement and Other Employee Future Benefits - continued

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2016 and based upon updated average daily salary and banked sick days as at August 31, 2016. These valuations take into account the plan changes and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2016</u>	<u>2015</u>
Inflation	1.5 %	1.5 %
Wage and salary escalation	- %	- %
Insurance and health care cost escalation	8.00 %	8.50 %
Dental cost escalation	4.00 %	4.50 %
Discount rate	2.05 %	2.45 %

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, 2016, the Board contributed \$2,579,767 (2015 - \$2,483,622) 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, 2016

9. 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. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

Voluntary Retirement Gratuity Early Payout Provision

During 2015-16, OSSTF, ETFO and CUPE ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided OSSTF, ETFO and CUPE members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 2016 (or the first pay period in September 2016 for CUPE).

This provision was also made available to all non-unionized school board employees, including principals and vice-principals.

Some employees took these early payouts, which were discounted from the current financial statement carrying values. As a result, the reduction in the liability for those members who took the voluntary retirement gratuity early payout option was accompanied by actuarial gains in the board's 2015-16 year financial statements. This resulted in the school board's employee future benefit liability decreasing by \$376,909.

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 \$643,384 (2015 - \$638,907) 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.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

9. Retirement and Other Employee Future Benefits - continued

(iii) Sick Leave Top-Up Benefits

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 \$79,008 (2015 - \$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, 2016.

Benefit Plan Future Changes

Currently, the School Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans. As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) will be established in 2016-17 for the following employee groups: ETFO, OSSTF, CUPE, non-unionized employees including principals and vice-principals. The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting in the 2016-17 school year, the School Board will no longer be responsible to provide benefits to the above mentioned groups. The Board will transfer to the ELHTs an amount per full-time equivalency based on the 2014-15 actual benefit costs + 8.16% representing inflationary increases for 2015-16 and 2016-17. In addition, the Ministry of Education will provide an additional \$300 per FTE for active employees to the school board. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

10. 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 December 31, 2016.

11. Expenditures by Object

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

	Budget 2016	Actual 2016	Actual 2015
Current expenses			
Salary and wages	\$ 129,305	\$ 133,904	\$ 132,839
Employee benefits	18,241	19,609	18,596
Staff development	714	833	649
Supplies and services	13,722	13,684	13,657
Interest	1,689	1,688	1,741
Rental expenses	303	155	165
Fees and contract services	14,518	14,805	15,095
Other	182	160	128
Amortization and write down of tangible capital assets	6,567	6,700	8,526
School funded activities	3,948	3,510	3,805
	<u>\$ 189,189</u>	<u>\$ 195,048</u>	<u>\$ 195,201</u>

12. Trust Funds

Trust funds administered by the Board amounting to \$1,816,651 (2015 - \$1,805,139) 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, 2016

(tabular amounts in thousands of dollars)

13. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	Net Book Value
	Opening	Additions	Disposals	Closing	Opening	Additions	Disposals	Closing	2016	2015
Land	\$ 778	\$ -	\$ -	\$ 778	\$ -	\$ -	\$ -	\$ -	\$ 778	\$ 778
Land improvements	2,109	97	-	2,206	779	147	-	926	1,280	1,330
Buildings	188,973	5,339	(552)	193,760	63,497	4,845	(284)	68,058	125,702	125,476
Construction in progress	1,089	6,449	-	7,538	-	-	-	-	7,538	1,089
Furniture	1,913	59	(54)	1,918	461	191	(54)	598	1,320	1,452
Equipment	1,871	117	(197)	1,791	997	201	(196)	1,002	789	874
Computer hardware	4,545	381	(728)	4,198	2,281	873	(728)	2,426	1,772	2,264
Computer software	775	64	(234)	605	519	121	(234)	406	199	256
Vehicles	470	-	(98)	372	252	53	(98)	207	165	218
	\$ 202,523	\$ 12,506	\$ (1,863)	\$ 213,166	\$ 68,786	\$ 6,431	\$ (1,594)	\$ 73,623	\$ 139,543	\$ 133,737

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

14. Accumulated Surplus (Deficit)

Accumulated surplus (deficit) consists of the following:

	<u>2016</u>	<u>2015</u>
Available for Compliance - Unappropriated		
Operating accumulated surplus (deficit)	\$ 680	\$ 3,248
Available for Compliance - Internally Appropriated		
Workplace Safety and Insurance Board	639	639
Total Available for Compliance	<u>1,319</u>	<u>3,887</u>
Unavailable for Compliance		
School generated funds	2,164	2,011
Revenues recognized for land	1,328	701
Interest to be accrued	(474)	(478)
Employee future benefits	<u>(16,579)</u>	<u>(18,869)</u>
Total Unavailable for Compliance	<u>(13,561)</u>	<u>(16,635)</u>
Total Accumulated Surplus (Deficit)	<u>\$ (12,242)</u>	<u>\$ (12,748)</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

15. 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:

	<u>2016</u>		<u>2015</u>
Fund Balances			
Fund balance, beginning of year	\$ 964	\$	796
Excess of revenue over expenses	203		168
	<hr/>		
Fund balance, end of year	\$ 1,167	\$	964
	<hr/>		
Operations			
Revenues	\$ 1,832	\$	1,845
Expenses	1,629		1,677
	<hr/>		
Excess of revenue over expenses	\$ 203	\$	168
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16. Contingent Liabilities

The Board is party to several claims seeking judgments totalling \$13,850,000, 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.

17. Commitments

The Board has received Ministry of Education approval to undertake construction of a new Trenton Elementary School and work on Marmora Senior Public School. The approval of these capital projects amounts to \$16,628,629. At August 31, 2016, \$7,538,218 of this work has been performed and has been reported as construction in progress. The remaining costs will be incurred subsequent to year end.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2016

(tabular amounts in thousands of dollars)

18. 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:

	2016		2015	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 1,008	\$ 336	\$ 4,280	\$ 1,427
Financial liabilities	1,074	358	4,513	1,504
Non-financial assets	200	67	232	77
Accumulated surplus (deficit)	\$ 134	\$ 45	\$ (1)	\$ -
Operations:				
Revenues	\$ 38,068	\$ 12,689	\$ 37,245	\$ 12,415
Expenses	38,132	12,711	37,121	12,374
Annual surplus / (deficit)	\$ (64)	\$ (22)	\$ 124	\$ 41
