

**Hastings and Prince Edward  
District School Board  
Consolidated Financial Statements  
For the year ended August 31, 2019**

**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 - 26</b>



## Hastings and Prince Edward District School Board

Shannon Binder, Chair of the Board  
Sean Monteith, Director of Education

*Possibilities*  
**TODAY & TOMORROW**

### MANAGEMENT REPORT

#### 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'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 consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the board's approval of the consolidated financial statements.

The consolidated financial statements have been audited by 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 25, 2019



## Independent Auditor's Report

---

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

### **Opinion**

We have audited the consolidated financial statements of Hastings and Prince Edward District School Board and its controlled entities (the Group), which comprise the consolidated statement of financial position as at August 31, 2019, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group as at and for the year ended August 31, 2019 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter - Basis of Accounting**

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. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance for the Consolidate Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for private enterprises, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Peterborough, Ontario  
November 25, 2019

---

# Hastings and Prince Edward District School Board

## Consolidated Statement of Financial Position

August 31	2019	2018
	(in thousands of dollars)	
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 9,318	\$ 9,134
Accounts receivable		
Government of Ontario - approved capital (Note 2)	37,801	46,535
Other (Note 2)	10,505	7,807
	<u>57,624</u>	<u>63,476</u>
<b>Financial Liabilities</b>		
Temporary borrowing (Note 3)	1,852	6,605
Accounts payable and accrued liabilities	11,346	16,355
Net long-term debt (Note 4)	31,098	32,557
Deferred capital contributions (Note 6)	169,303	166,538
Deferred revenue (Note 7)	8,699	9,153
Employee future benefits liability (Note 8)	13,932	15,048
	<u>236,230</u>	<u>246,256</u>
<b>Net Debt</b>	<u>(178,606)</u>	<u>(182,780)</u>
<b>Commitments (Note 15)</b>		
<b>Non-Financial Assets</b>		
Prepaid expenses	7,127	6,979
Tangible capital assets (Note 12)	172,909	170,390
	<u>180,036</u>	<u>177,369</u>
<b>Accumulated Surplus (Deficit) (Note 13)</b>	\$ 1,430	\$ (5,411)

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

<b>For the year ended August 31</b>	<b>Budget 2019</b>	<b>Actual 2019</b>	<b>Actual 2018</b>
	(in thousands of dollars)		
<b>Revenues</b>			
Provincial legislative grants	\$ 195,744	\$ 200,387	\$ 192,164
Provincial grants - other	1,768	3,164	3,845
School generated funds	3,711	3,935	3,832
Federal grants and fees	1,725	1,529	1,570
Investment income	50	224	162
Other revenues - School Boards	-	13	20
Other fees and revenues	1,953	2,562	2,065
	<u>204,951</u>	<u>211,814</u>	<u>203,658</u>
<b>Expenses (Note 10)</b>			
Instruction	152,843	151,694	147,747
Administration	5,897	6,266	6,278
Transportation	14,415	14,559	13,790
Pupil accommodation	24,657	28,132	25,930
School generated funds	3,711	4,101	3,881
Other	-	221	1,256
	<u>201,523</u>	<u>204,973</u>	<u>198,882</u>
<b>Annual surplus</b>	3,428	6,841	4,776
<b>Accumulated deficit, beginning of year</b>	<u>(6,741)</u>	<u>(5,411)</u>	<u>(10,187)</u>
<b>Accumulated surplus (deficit), end of year</b>	<u>\$ (3,313)</u>	<u>\$ 1,430</u>	<u>\$ (5,411)</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

<b>For the year ended August 31</b>	<b>2019</b>	<b>2018</b>
	(in thousands of dollars)	
<b>Operations</b>		
Annual surplus	\$ 6,841	\$ 4,776
Sources and (uses)		
Changes in non-cash items:		
Amortization of tangible capital assets, gain (loss) on disposal and transfers of assets held for sale	11,218	8,303
Deferred gain on disposal of restricted assets	(409)	(398)
Amortization of deferred capital contributions	(10,948)	(8,035)
	<u>6,702</u>	<u>4,646</u>
Change in non-cash working capital balances		
Accounts receivable	(2,698)	1,404
Accounts payable and accrued liabilities	(5,009)	(1,235)
Deferred revenues - operating	(454)	658
Employee future benefits liability	(1,116)	(1,562)
Prepaid expenses	(148)	(3,098)
	<u>(2,723)</u>	<u>813</u>
<b>Net increase in cash from operations</b>		
	<u>(2,723)</u>	<u>813</u>
<b>Capital Transactions</b>		
Proceeds on sale of tangible capital assets	419	398
Cash used to acquire tangible capital assets	(13,747)	(25,460)
	<u>(13,328)</u>	<u>(25,062)</u>
<b>Financing</b>		
Change in temporary borrowing	(4,753)	(4,102)
Government of Ontario - approved capital receivable	8,734	(236)
Additions to deferred capital contributions	13,713	25,460
Debt repayments	(1,459)	(1,392)
Change in deferred revenues - capital	-	1,595
	<u>16,235</u>	<u>21,325</u>
<b>Increase (decrease) in cash and equivalents during the year</b>	<u>184</u>	<u>(2,924)</u>
<b>Cash and equivalents, beginning of year</b>	<u>9,134</u>	<u>12,058</u>
<b>Cash and equivalents, end of year</b>	<u>\$ 9,318</u>	<u>\$ 9,134</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>2019</u>	<u>2018</u>
	(in thousands of dollars)	
<b>Annual Surplus</b>	<u>\$ 6,841</u>	<u>\$ 4,776</u>
<b>Tangible Capital Asset Activity</b>		
Acquisition of tangible capital assets	(13,747)	(25,460)
Amortization of tangible capital assets	7,442	7,457
Proceeds on sale of tangible capital assets	419	398
Gains on sale allocated to deferred revenue	(409)	(398)
Write-downs of tangible capital assets	3,776	846
	<u>(2,519)</u>	<u>(17,157)</u>
<b>Other Non-Financial Asset Activity</b>		
Change in prepaid expenses	<u>(148)</u>	<u>(3,098)</u>
<b>Change in net debt</b>	<b>4,174</b>	<b>(15,479)</b>
<b>Net debt, beginning of year</b>	<u>(182,780)</u>	<u>(167,301)</u>
<b>Net debt, end of year</b>	<u>\$ (178,606)</u>	<u>\$ (182,780)</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, 2019

---

### 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 require that:

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

As a result, revenue recognized in the statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

---

### 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.

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 16)  
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 14 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 11 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, 2019**

---

### **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.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: ETFO & OSSTF. The following ELHTs were established in 2017-2018: CUPE, EWBT and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Once employees transition to the ELHT, the Board is no longer responsible to provide certain benefits to the above mentioned groups. Upon transition of the employee groups' health, dental and life benefits plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

The Board continues to have a liability for payment of benefits for those who are on long-term disability and for some retirees who are retired under these plans.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

**August 31, 2019**

---

**1. Significant Accounting Policies (continued)**

**(h) Retirement and other employee future benefits (continued)**

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, 2019

---

#### 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:

<b>Asset</b>	<b>Estimated Useful Life in Years</b>
Land improvements with finite lives	15
Buildings and building improvements	40
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

## Notes to Consolidated Financial Statements

August 31, 2019

---

### 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 Note 1 (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. Accounts subject to significant estimates include 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 Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

---

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

---

(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 \$37,800,805 as at August 31, 2019 (2018 - \$46,534,996) with respect to capital grants.

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in other accounts receivable at August 31, 2019 is \$3,793,747.

---

### 3. Temporary Borrowing

	<u>2019</u>	<u>2018</u>
Banker Acceptance financing agreements	\$ 1,852	\$ 6,605

The Board has a demand operating line of credit available to the maximum of \$10,000,000 to address operating requirements. At year-end the overdraft amount totalled \$Nil (2018 - \$Nil). Interest on the operating line of credit is at the bank's prime lending rate.

At year-end, the Board has four outstanding Banker Acceptance agreements available to the maximum of \$41,704,000. These loans provide short-term financing to partially pay for capital expenditures for certain schools and for additions/renovations under the School Conditions and Improvements programs, as well as the Capital Priorities Grant programs. At August 31, 2019, the amount drawn under the Banker's acceptance facility was \$1,851,567 (2018 - \$6,605,000). 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, 2019

---

(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>2019</u>	<u>2018</u>
Ontario Financing Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	8,285	8,767
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	7,542	7,917
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	5,064	5,289
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	4,789	4,978
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	498	517
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	3,312	3,431
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	588	608
Ontario Financing Authority loan payable, 3.242% per annum, repayable in semi-annual blended payments of \$14,737, maturing March 2041	459	473
Ontario Financing Authority loan payable, 3.594% per annum, repayable in semi-annual blended payments of \$18,131, maturing March 2042	561	577
	<u>\$ 31,098</u>	<u>\$ 32,557</u>



---

## Hastings and Prince Edward District School Board

### Notes to Consolidated Financial Statements

August 31, 2019

---

(tabular amounts in thousands of dollars)

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

Payments relating to net long-term debt outstanding as at August 31, 2019 are due as follows:

	Principal	Interest	Total
2020	\$ 1,529	\$ 1,439	\$ 2,968
2021	1,601	1,366	2,967
2022	1,678	1,290	2,968
2023	1,758	1,210	2,968
2024	1,842	1,126	2,968
Thereafter	22,690	5,942	28,632
	<u>\$ 31,098</u>	<u>\$ 12,373</u>	<u>\$ 43,471</u>

---

#### 5. Debt Charges and Capital Loan Interest

	2019	2018
Principal payments on long-term liabilities	\$ 1,459	\$ 1,392
Interest payments on long-term liabilities	1,488	1,561
	<u>\$ 2,947</u>	<u>\$ 2,953</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.

	2019	2018
Opening balance	\$ 166,538	\$ 149,113
Additions to deferred capital contributions	13,713	25,460
Revenue recognized in the year	(10,948)	(8,035)
	<u>\$ 169,303</u>	<u>\$ 166,538</u>

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

(tabular amounts in thousands of dollars)

### 7. 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, 2019 is comprised of:

	Balance as at August 31 2018	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2019
<b>Capital</b>					
School renewal	\$ 3,060	\$ 3,701	\$ 661	\$ 2,210	\$ 3,890
Minor tangible capital assets	-	-	-	-	-
Interest on capital	1	1,769	1,509	260	1
Rural and Northern Education Fund	-	623	623	-	-
Retrofitting school space	217	-	-	-	217
Proceeds of disposition	2,592	409	-	-	3,001
	<b>5,870</b>	<b>6,502</b>	<b>2,793</b>	<b>2,470</b>	<b>7,109</b>
<b>Operating</b>					
Special education	-	23,377	23,377	-	-
Other provincial grants	261	1,580	1,603	-	238
Other third party	62	-	62	-	-
SEA formula based funding	732	541	1,089	-	184
Tuition - international student	1,687	1,168	1,687	-	1,168
EPO Grants	541	-	541	-	-
	<b>3,283</b>	<b>26,666</b>	<b>28,359</b>	<b>-</b>	<b>1,590</b>
	<b>\$ 9,153</b>	<b>\$ 33,168</b>	<b>\$ 31,152</b>	<b>\$ 2,470</b>	<b>\$ 8,699</b>

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

(tabular amounts in thousands of dollars)

### 8. Retirement and Other Employee Future Benefits

#### Liabilities

	2019		2018		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued benefit obligation	\$ 13,810	\$ 56	\$ 1,388	\$ 15,254	\$ 15,832
Unamortized actuarial (gains) losses	1,322	-	-	1,322	784
Employee future benefits liability	\$ 12,488	\$ 56	\$ 1,388	\$ 13,932	\$ 15,048

#### Change in Employee Future Benefit Liability

	2019		2018		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 56	\$ 448	\$ 504	\$ 132
Interest on accrued benefit obligation	397	-	36	433	427
Benefit payments <sup>1</sup>	(1,866)	(100)	(276)	(2,242)	(2,215)
Change due to plan amendment	20	-	-	20	-
Amortization of actuarial (gains)/losses	90	57	22	169	94
Net change	\$ (1,359)	\$ 13	\$ 230	\$ (1,116)	\$ (1,562)

<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, 2019

---

(tabular amounts in thousands of dollars)

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

#### Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2019 are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2019 and based upon updated average daily salary and banked sick days as at August 31, 2019. 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>2019</u>	<u>2018</u>
Inflation	1.5 %	1.5 %
Wage and salary escalation	- %	- %
Insurance and health care cost escalation	7.75 %	7.75 %
Dental cost escalation	4.50 %	3.75 %
Discount rate	2.00 %	2.90 %

#### 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. Each year an independent actuary determines the funding status of the plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the plan was conducted at December 31, 2018. The results of this valuation disclosed an actuarial deficit of \$4.191 billion as at that date. During the year ended August 31, 2019, the Board contributed \$2,451,149 (2018 - \$2,388,829) 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, 2019

---

(tabular amounts in thousands of dollars)

### 8. 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.

#### 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 consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

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

The Board provides life insurance, dental and health care benefits to all 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

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 \$55,853 (2018 - \$42,625)

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, 2019 and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

---

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

---

(tabular amounts in thousands of dollars)

### 9. 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 \$27,000,000 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, 2021.

---

### 10. Expenditures by Object

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

	Budget 2019	Actual 2019	Actual 2018
<b>Current expenses</b>			
Salary and wages	\$ 136,762	\$ 136,370	\$ 134,536
Employee benefits	21,449	21,903	20,142
Staff development	1,366	630	518
Supplies and services	12,484	12,093	12,416
Interest	1,494	1,488	1,561
Rental expenses	150	90	67
Fees and contract services	16,412	16,891	16,014
Other	179	190	1,444
Amortization and write down of tangible capital assets	7,516	11,217	8,303
School funded activities	3,711	4,101	3,881
	<b>\$ 201,523</b>	<b>\$ 204,973</b>	<b>\$ 198,882</b>

---

### 11. Trust Funds

Trust funds administered by the Board amounting to \$1,662,131 (2018 - \$2,409,629) 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, 2019

(tabular amounts in thousands of dollars)

### 12. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	
	Opening	Additions	Disposals	Closing	Opening	Additions	Disposals	Closing	2019	2018
Land	\$ 1,407	\$ -	\$ (10)	\$ 1,397	\$ -	\$ -	\$ -	\$ -	\$ 1,397	\$ 1,407
Land improvements	7,677	413	-	8,090	2,632	503	-	3,135	4,955	5,045
Buildings	236,568	1,749	-	238,317	76,969	788	-	77,757	160,560	159,599
Assets Permanently Removed from Service	3,519	10,500	(1,714)	12,305	2,258	8,906	(1,714)	9,450	2,855	1,261
Construction in progress	-	301	-	301	-	-	-	-	301	-
Furniture	1,880	-	-	1,880	941	188	-	1,129	751	939
Equipment	1,551	80	(426)	1,205	1,085	146	(426)	805	400	466
Computer hardware	3,197	666	(830)	3,033	1,739	618	(830)	1,527	1,506	1,458
Computer software	394	-	(121)	273	265	46	(121)	190	83	129
Vehicles	229	38	(33)	234	143	23	(33)	133	101	86
	\$ 256,422	\$ 13,747	\$ (3,134)	\$ 267,035	\$ 86,032	\$ 11,218	\$ (3,124)	\$ 94,126	\$ 172,909	\$ 170,390

#### a) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$3,776,189 (2018 - \$846,364).

#### b) Assets permanently removed from service

The Board has identified 4 building properties that qualify as "assets permanently removed from service".

---

## Hastings and Prince Edward District School Board

### Notes to Consolidated Financial Statements

August 31, 2019

---

(tabular amounts in thousands of dollars)

#### 13. Accumulated Surplus

Accumulated surplus consists of the following:

	<u>2019</u>	<u>2018</u>
<b>Available for Compliance - Unappropriated</b>		
Operating accumulated surplus	\$ 9,561	\$ 4,413
<b>Unavailable for Compliance</b>		
School generated funds	1,948	2,113
Revenues recognized for land	1,318	1,328
Interest to be accrued	(448)	(448)
Employee future benefits	(10,949)	(12,817)
<b>Total Unavailable for Compliance</b>	<u>(8,131)</u>	<u>(9,824)</u>
<b>Total Accumulated Surplus (Deficit)</b>	<u>\$ 1,430</u>	<u>\$ (5,411)</u>

---



---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

---

(tabular amounts in thousands of dollars)

### 14. 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>2019</u>	<u>2018</u>
<b>Fund Balances</b>		
Fund balance, beginning of year	\$ 1,657	\$ 1,208
Excess of revenue over expenses	82	449
Fund balance, end of year	<u>\$ 1,739</u>	<u>\$ 1,657</u>
<b>Operations</b>		
Revenues	\$ 1,904	\$ 2,144
Expenses	1,822	1,695
Excess of revenue over expenses	<u>\$ 82</u>	<u>\$ 449</u>

---

### 15. Commitments

During the year, the Board committed to construction projects for three schools. The Board has received Ministry of Education approval to finance the projects under the Capital Priorities program. The estimated cost of the projects are \$33,100,000. As at August 31, 2019, \$2,722,000 in costs have been incurred and the expected completion dates for these projects range from 2020 to 2021.

---

# Hastings and Prince Edward District School Board

## Notes to Consolidated Financial Statements

August 31, 2019

(tabular amounts in thousands of dollars)

### 16. 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:

	2019		2018	
	Total	Board Portion	Total	Board Portion
<b>Financial Position:</b>				
Financial assets	\$ 1,699	\$ 566	\$ 1,360	\$ 453
Financial liabilities	1,880	627	1,663	554
Non-financial assets	238	79	283	94
Accumulated surplus (deficit)	\$ 57	\$ 18	\$ (20)	\$ (7)
<b>Operations:</b>				
Revenues	\$ 40,691	\$ 13,564	\$ 39,717	\$ 13,239
Expenses	40,614	13,538	39,690	13,230
Annual surplus	\$ 77	\$ 26	\$ 27	\$ 9