

**Hastings and Prince Edward
District School Board
Consolidated Financial Statements
For the year ended August 31, 2018**

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Hastings and Prince Edward
District School Board

Possibilities
TODAY & TOMORROW

Lucille Kyle, Chair of the Board
Mandy Savery-Whiteway, Director of Education

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

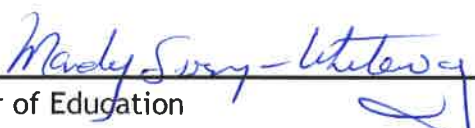
The accompanying consolidated financial statements of the Hastings and Prince Edward District School Board are the responsibility of the Board's management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and 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 19, 2018



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, 2018, and the consolidated statements of operations, change in net debt and cash flows 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 of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements of the Hastings and Prince Edward District School Board for the year ended August 31, 2018 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.

Chartered Professional Accountants, Licensed Public Accountants


Peterborough, Ontario
November 19, 2018

Hastings and Prince Edward District School Board

Consolidated Statement of Financial Position

August 31	2018	2017
	(in thousands of dollars)	
Financial Assets		
Cash and cash equivalents	\$ 9,134	\$ 12,058
Accounts receivable		
Government of Ontario - approved capital (Note 2)	46,535	46,299
Other	7,807	9,211
	<u>63,476</u>	<u>67,568</u>
Financial Liabilities		
Temporary borrowing (Note 3)	6,605	10,707
Accounts payable and accrued liabilities	16,355	17,590
Net long-term debt (Note 4)	32,557	33,949
Deferred capital contributions (Note 6)	166,538	149,113
Deferred revenue (Note 7)	9,153	6,900
Employee future benefits liability (Note 8)	15,048	16,610
	<u>246,256</u>	<u>234,869</u>
Net Debt	<u>(182,780)</u>	<u>(167,301)</u>
Commitments (Note 15)		
Non-Financial Assets		
Prepaid expenses	6,979	3,881
Tangible capital assets (Note 12)	170,390	153,233
	<u>177,369</u>	<u>157,114</u>
Accumulated Deficit (Note 13)	\$ (5,411)	\$ (10,187)

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 2018	Actual 2018	Actual 2017
	(in thousands of dollars)		
Revenues			
Provincial legislative grants	\$ 192,919	\$ 192,164	\$ 186,634
Provincial grants - other	1,416	3,845	2,910
School generated funds	3,708	3,832	3,758
Federal grants and fees	1,771	1,570	1,654
Investment income	50	162	54
Other revenues - School Boards	-	20	10
Other fees and revenues	1,929	2,065	2,041
	201,793	203,658	197,061
Expenses (Note 10)			
Instruction	151,277	147,747	146,898
Administration	6,044	6,278	6,140
Transportation	13,901	13,790	13,269
Pupil accommodation	24,980	25,930	24,937
School generated funds	3,708	3,881	3,762
Other	-	1,256	-
	199,910	198,882	195,006
Annual surplus	1,883	4,776	2,055
Accumulated deficit, beginning of year	(11,453)	(10,187)	(12,242)
Accumulated deficit, end of year	\$ (9,570)	\$ (5,411)	\$ (10,187)

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	2018	2017
	(in thousands of dollars)	
Operations		
Annual surplus	\$ 4,776	\$ 2,055
Sources and (uses)		
Changes in non-cash items:		
Amortization of tangible capital assets, gain (loss) on disposal and transfers of assets held for sale	8,303	7,960
Deferred gain on disposal of restricted assets	(398)	-
Amortization of deferred capital contributions	(8,035)	(7,692)
	4,646	2,323
Change in non-cash working capital balances		
Accounts receivable	1,404	(1,234)
Accounts payable and accrued liabilities	(1,235)	5,708
Deferred revenues - operating	658	177
Employee future benefits liability	(1,562)	(1,589)
Prepaid expenses	(3,098)	154
	813	5,539
Net increase in cash from operations	813	5,539
Capital Transactions		
Proceeds on sale of tangible capital assets	398	-
Cash used to acquire tangible capital assets	(25,460)	(21,650)
	(25,062)	(21,650)
Financing		
Long-term debt issued	-	592
Change in temporary borrowing	(4,102)	7,329
Government of Ontario - approved capital receivable	(236)	(1,844)
Additions to deferred capital contributions	25,460	21,650
Debt repayments	(1,392)	(1,687)
Change in deferred revenues - capital	1,595	(776)
	21,325	25,264
Increase (decrease) in cash and equivalents during the year	(2,924)	9,153
Cash and equivalents, beginning of year	12,058	2,905
Cash and equivalents, end of year	\$ 9,134	\$ 12,058

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

For the year ended August 31	2018	2017
	(in thousands of dollars)	
Annual Surplus	\$ 4,776	\$ 2,055
Tangible Capital Asset Activity		
Acquisition of tangible capital assets	(25,460)	(21,650)
Amortization of tangible capital assets	7,457	6,893
Proceeds on sale of tangible capital assets	(398)	-
Gains on sale allocated to deferred revenue	398	-
Write-downs of tangible capital assets	846	1,067
	<u>(17,157)</u>	<u>(13,690)</u>
Other Non-Financial Asset Activity		
Change in prepaid expenses	<u>(3,098)</u>	<u>154</u>
Change in net debt	(15,479)	(11,481)
Net debt, beginning of year	(167,301)	(155,820)
Net debt, end of year	\$ (182,780)	\$ (167,301)

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, 2018

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, 2018

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 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, 2018

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, 2018

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, 2018

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
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, 2018

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, 2018

(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 \$46,534,996 as at August 31, 2018 (2017 - \$46,298,548) with respect to capital grants.

3. Temporary Borrowing

	<u>2018</u>	<u>2017</u>
Banker Acceptance financing agreements	<u>\$ 6,605</u>	<u>\$ 10,707</u>

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 (2017 - \$Nil). Interest on the operating line of credit are at the bank's prime lending rate.

At year-end, the Board has seven outstanding Banker Acceptance agreements available to the maximum of \$57,270,000. 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, 2018, the amount drawn under the Banker's acceptance facility was \$6,605,000 (2017 - \$10,707,000). 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, 2018

(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>2018</u>	<u>2017</u>
Ontario Financing Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	8,767	9,228
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	7,917	8,275
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	5,289	5,503
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	4,978	5,158
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	517	534
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	3,431	3,545
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	608	627
Ontario Financing Authority loan payable, 3.242% per annum, repayable in semi-annual blended payments of \$14,737, maturing March 2041	473	487
Ontario Financing Authority loan payable, 3.594% per annum, repayable in semi-annual blended payments of \$18,131, maturing March 2042	577	592
	<u>\$ 32,557</u>	<u>\$ 33,949</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2018

(tabular amounts in thousands of dollars)

4. Net Long-Term Debt - continued

Payments relating to net long-term debt outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
2019	\$ 1,459	\$ 1,509	\$ 2,968
2020	1,528	1,439	2,967
2021	1,601	1,366	2,967
2022	1,678	1,290	2,968
2023	1,758	1,210	2,968
Thereafter	24,533	7,068	31,601
	<u>\$ 32,557</u>	<u>\$ 13,882</u>	<u>\$ 46,439</u>

5. Debt Charges and Capital Loan Interest

	2018	2017
Principal payments on long-term liabilities	\$ 1,392	\$ 1,687
Interest payments on long-term liabilities	1,561	1,612
	<u>\$ 2,953</u>	<u>\$ 3,299</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.

	2018	2017
Opening balance	\$ 149,113	\$ 135,155
Additions to deferred capital contributions	25,460	21,650
Revenue recognized in the year	(8,035)	(7,692)
	<u>\$ 166,538</u>	<u>\$ 149,113</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2018

(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, 2018 is comprised of:

	Balance as at August 31 2017	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2018
Capital					
School renewal	\$ 1,856	\$ 3,585	\$ 280	\$ 2,101	\$ 3,060
Minor tangible capital assets	-	4,561	4,325	236	-
Interest on capital	1	1,872	1,575	297	1
Rural and Northern Education Fund	-	609	609	-	-
Retrofitting school space	224	-	-	7	217
Proceeds of disposition	2,194	398	-	-	2,592
	<u>4,275</u>	<u>11,025</u>	<u>6,789</u>	<u>2,641</u>	<u>5,870</u>
Operating					
Special education	-	22,090	22,090	-	-
Other provincial grants	171	2,015	1,925	-	261
Other third party	-	62	-	-	62
SEA formula based funding	854	542	664	-	732
Tuition - international student	1,344	1,687	1,344	-	1,687
EPO Grants	256	541	256	-	541
	<u>2,625</u>	<u>26,937</u>	<u>26,279</u>	<u>-</u>	<u>3,283</u>
	<u>\$ 6,900</u>	<u>\$ 37,962</u>	<u>\$ 33,068</u>	<u>\$ 2,641</u>	<u>\$ 9,153</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2018

(tabular amounts in thousands of dollars)

8. Retirement and Other Employee Future Benefits

Liabilities

	2018			2017	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued benefit obligation	\$ 14,630	\$ 42	\$ 1,160	\$ 15,832	\$ 17,867
Unamortized actuarial (gains) losses	784	-	-	784	1,257
Employee future benefits liability	\$ 13,846	\$ 42	\$ 1,160	\$ 15,048	\$ 16,610

Change in Employee Future Benefit Liability

	2018			2017	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 43	\$ 89	\$ 132	\$ 71
Interest on accrued benefit obligation	396	-	31	427	390
Benefit payments ¹	(1,899)	(31)	(285)	(2,215)	(2,252)
Change due to plan amendment	-	-	-	-	55
Amortization of actuarial (gains)/losses	128	(33)	(1)	94	147
Net change	\$ (1,375)	\$ (21)	\$ (166)	\$ (1,562)	\$ (1,589)

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, 2018

(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, 2018 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, 2018. 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>2018</u>	<u>2017</u>
Inflation	1.5 %	1.5 %
Wage and salary escalation	- %	- %
Insurance and health care cost escalation	7.75 %	8.00 %
Dental cost escalation	3.75 %	4.00 %
Discount rate	2.90 %	2.55 %

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, 2017. The results of this valuation disclosed an actuarial deficit of \$5.403 billion as at that date. During the year ended August 31, 2018, the Board contributed \$2,388,829 (2017 - \$2,386,140) 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

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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 \$42,625 (2017 - \$63,842)

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, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

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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 2018	Actual 2018	Actual 2017
Current expenses			
Salary and wages	\$ 136,497	\$ 134,536	\$ 132,421
Employee benefits	20,840	20,142	19,474
Staff development	715	518	713
Supplies and services	13,417	12,416	13,250
Interest	1,563	1,561	1,612
Rental expenses	154	67	100
Fees and contract services	15,829	16,014	15,540
Other	180	1,444	174
Amortization and write down of tangible capital assets	7,007	8,303	7,960
School funded activities	3,708	3,881	3,762
	<u>\$ 199,910</u>	<u>\$ 198,882</u>	<u>\$ 195,006</u>

11. Trust Funds

Trust funds administered by the Board amounting to \$2,409,629 (2017 - \$2,649,346) 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

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(tabular amounts in thousands of dollars)

12. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	Net Book Value
	Opening	Additions	Disposals	Closing	Opening	Additions	Disposals	Closing	2018	2017
Land	\$ 1,407	\$ -	\$ -	\$ 1,407	\$ -	\$ -	\$ -	\$ -	\$ 1,407	\$ 1,407
Land improvements	4,370	3,314	(7)	7,677	2,197	442	(7)	2,632	5,045	2,173
Buildings	216,855	19,713	-	236,568	72,924	4,045	-	76,969	159,599	143,931
Assets Permanently Removed from Service	978	3,519	(978)	3,519	520	2,716	(978)	2,258	1,261	458
Construction in progress	2,093	(2,093)	-	-	-	-	-	-	-	2,093
Furniture	1,901	-	(21)	1,880	773	189	(21)	941	939	1,128
Equipment	1,667	44	(160)	1,551	1,068	177	(160)	1,085	466	599
Computer hardware	3,183	875	(861)	3,197	1,969	631	(861)	1,739	1,458	1,214
Computer software	497	88	(191)	394	388	68	(191)	265	129	109
Vehicles	356	-	(127)	229	235	35	(127)	143	86	121
	\$ 233,307	\$ 25,460	\$ (2,345)	\$ 256,422	\$ 80,074	\$ 8,303	\$ (2,345)	\$ 86,032	\$ 170,390	\$ 153,233

a) Write-down of tangible capital assets

The write-down of tangible capital during the year was \$846,364.

b) Assets permanently removed from service

The Board has identified 3 building properties that qualify as "assets permanently removed from service".

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

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13. Accumulated Surplus

Accumulated surplus consists of the following:

	<u>2018</u>	<u>2017</u>
Available for Compliance - Unappropriated		
Operating accumulated surplus	\$ 4,413	\$ 822
Available for Compliance - Internally Appropriated		
Workplace Safety and Insurance Board	-	648
Total Available for Compliance	<u>4,413</u>	<u>1,470</u>
Unavailable for Compliance		
School generated funds	2,113	2,161
Revenues recognized for land	1,328	1,328
Interest to be accrued	(448)	(462)
Employee future benefits	<u>(12,817)</u>	<u>(14,684)</u>
Total Unavailable for Compliance	<u>(9,824)</u>	<u>(11,657)</u>
Total Accumulated Surplus (Deficit)	<u>\$ (5,411)</u>	<u>\$ (10,187)</u>

Hastings and Prince Edward District School Board

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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:

	2018	2017
Fund Balances		
Fund balance, beginning of year	\$ 1,208	\$ 1,009
Excess of revenue over expenses	449	199
Fund balance, end of year	<u>\$ 1,657</u>	<u>\$ 1,208</u>
Operations		
Revenues	\$ 2,144	\$ 1,776
Expenses	1,695	1,577
Excess of revenue over expenses	<u>\$ 449</u>	<u>\$ 199</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, 2018, minimal costs have been incurred and the expected completion dates for these projects range from 2020 to 2021.

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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:

	2018		2017	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 1,360	\$ 453	\$ 3,511	\$ 1,170
Financial liabilities	1,663	554	3,839	1,280
Non-financial assets	283	94	280	93
Accumulated surplus (deficit)	\$ (20)	\$ (7)	\$ (48)	\$ (17)
Operations:				
Revenues	\$ 39,717	\$ 13,239	\$ 37,493	\$ 12,498
Expenses	39,690	13,230	37,475	12,492
Annual surplus / (deficit)	\$ 27	\$ 9	\$ 18	\$ 6
