

Hastings and Prince Edward
District School Board
Consolidated Financial Statements
For the year ended August 31, 2020

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**Hastings and Prince Edward
District School Board**

Lucille Kyle, 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

November 23, 2020

Superintendent of Business Services



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 Board), which comprise the consolidated statement of financial position as at August 31, 2020, and the consolidated statements of operations, consolidated changes in net debt and consolidated 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 Board as at and for the year ended August 31, 2020 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 Board 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 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.

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

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



Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 Board'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 Board'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 Board 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 Board to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Board 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.

Chartered Professional Accountants, Licensed Public Accountants


Peterborough, Ontario
November 23, 2020

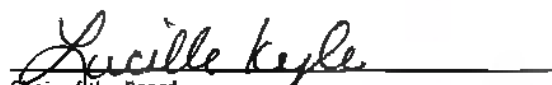
Hastings and Prince Edward District School Board

Consolidated Statement of Financial Position

August 31	2020	2019
	(in thousands of dollars)	
Financial Assets		
Cash and cash equivalents	\$ 14,580	\$ 9,318
Accounts receivable		
Government of Ontario (Note 2)	50,508	42,433
Municipalities (Note 3)	14,657	4,775
Other	4,114	1,098
	83,859	57,624
Financial Liabilities		
Temporary borrowing (Note 5)	2,423	1,852
Accounts payable		
Government of Ontario (Note 4)	16,506	-
Trade payables and accrued liabilities	15,263	11,346
Net long-term debt (Note 6)	29,569	31,098
Deferred capital contributions (Note 8)	174,516	169,303
Deferred revenue (Note 9)	12,338	8,699
Employee future benefits liability (Note 10)	13,295	13,932
	263,910	236,230
Net Debt	(180,051)	(178,606)
Commitments (Note 17)		
Non-Financial Assets		
Prepaid expenses	8,666	7,127
Tangible capital assets (Note 14)	177,923	172,909
	186,589	180,036
Accumulated Surplus (Note 15)	\$ 6,538	\$ 1,430

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 2020	Actual 2020	Actual 2019
	(in thousands of dollars)		
Revenues			
Provincial legislative grants	\$ 195,570	\$ 193,646	\$ 200,387
Provincial grants - other	1,389	1,556	3,164
School generated funds	3,818	2,158	3,935
Federal grants and fees	1,625	1,581	1,529
Investment income	170	202	224
Other revenues - School Boards	70	10	13
Other fees and revenues	1,982	2,853	2,562
	204,624	202,006	211,814
Expenses (Note 12)			
Instruction	152,441	148,354	151,694
Administration	5,895	6,469	6,266
Transportation	15,433	13,943	14,559
Pupil accommodation	25,149	25,934	28,132
School generated funds	3,818	2,198	4,101
Other	-	-	221
	202,736	196,898	204,973
Annual surplus	1,888	5,108	6,841
Accumulated surplus (deficit), beginning of year	(1,908)	1,430	(5,411)
Accumulated surplus (deficit), end of year	\$ (20)	\$ 6,538	\$ 1,430

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	2020	2019
	(in thousands of dollars)	
Operations		
Annual surplus	\$ 5,108	\$ 6,841
Sources and (uses)		
Changes in non-cash items:		
Amortization of tangible capital assets, gain (loss) on disposal and transfers of assets held for sale	8,870	11,218
Deferred gain on disposal of restricted assets	(800)	(409)
Amortization of deferred capital contributions	(8,602)	(10,948)
	4,576	6,702
Change in non-cash working capital balances		
Accounts receivable	(18,507)	(2,698)
Accounts payable and accrued liabilities	19,511	(5,009)
Deferred revenues - operating	262	(1,692)
Employee future benefits liability	(637)	(1,116)
Prepaid expenses	(1,538)	(148)
	3,667	(3,961)
Net increase (decrease) in cash from operations		
Capital Transactions		
Proceeds on sale of tangible capital assets	1,079	419
Cash used to acquire tangible capital assets	(14,164)	(13,747)
	(13,085)	(13,328)
Financing		
Change in temporary borrowing	572	(4,753)
Government of Ontario - approved capital receivable	(1,554)	8,734
Additions to deferred capital contributions	13,814	13,713
Debt repayments	(1,529)	(1,459)
Deferred revenues - capital	3,377	1,238
	14,680	17,473
Increase in cash and equivalents during the year	5,262	184
Cash and equivalents, beginning of year	9,318	9,134
Cash and equivalents, end of year	\$ 14,580	\$ 9,318

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	Budget 2020	Actual 2020	Actual 2019
	(in thousands of dollars)		
Annual Surplus	\$ 1,888	\$ 5,108	\$ 6,841
Tangible Capital Asset Activity			
Acquisition of tangible capital assets	(26,900)	(14,164)	(13,747)
Amortization of tangible capital assets	7,613	8,346	7,442
Proceeds on sale of tangible capital assets	-	1,079	419
Gains on sale allocated to deferred revenue	-	(800)	(409)
Write-downs of tangible capital assets	-	524	3,776
	(19,287)	(5,015)	(2,519)
Other Non-Financial Asset Activity			
Change in prepaid expenses	-	(1,538)	(148)
Change in net debt	(17,399)	(1,445)	4,174
Net debt, beginning of year	(182,780)	(178,606)	(182,780)
Net debt, end of year	\$ (200,179)	\$ (180,051)	\$ (178,606)

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, 2020

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, 2020

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 18)
School Generated Funds

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

(c) Related Party

The Hastings and Prince Edward Learning Foundation is the registered charitable foundation established by the Hastings and Prince Edward District School Board to enhance public education by raising money for services and initiatives that could not otherwise be offered by the Board. The operations of the Foundation are not consolidated but are disclosed in Note 16 to these consolidated financial statements.

(d) Trust Funds

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board. The balances of these funds are disclosed in Note 13 to these consolidated financial statements.

(e) Cash and Cash Equivalents

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

(f) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2020

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, 2020

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, 2020

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, 2020

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, 2020

(tabular amounts in thousands of dollars)

2. Accounts Receivable - Government of Ontario

Included in this balance is 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 \$39,355,295 as at August 31, 2020 (2019 - \$37,800,805) with respect to capital grants.

In addition, 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 at August 31, 2020 is \$9,957,172.

3. Accounts Receivable - Municipalities

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. This amount for the Board was \$8,969,474 and has been included in accounts receivable on the statement of financial position. This amount was recovered fully by the Board in the following school year.

4. Accounts Payable - Government of Ontario

Due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. To mitigate the financial impact of this deferral, the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to about 25% of the annual education property tax amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was \$10,500,410. This amount will be recovered by the Province in 2021.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2020

(tabular amounts in thousands of dollars)

5. Temporary Borrowing

	<u>2020</u>	<u>2019</u>
Banker Acceptance financing agreements	\$ 2,423	\$ 1,852

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 (2019 - \$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's Acceptance agreements available to the maximum of \$46,080,838. 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, 2020, the total amount drawn under Banker's Acceptance facilities was \$2,423,400 (2019 - \$1,851,567). Interest on the Banker's Acceptance facilities are based on Banker's Acceptance rate plus 75 basis points.

Subsequent to year end, the Board borrowed an additional \$7,317,000 under existing Banker's Acceptance facilities to fund capital expenditures.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2020

(tabular amounts in thousands of dollars)

6. Net Long-Term Debt

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

	2020	2019
Ontario Financing Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	7,780	8,285
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	7,148	7,542
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	4,828	5,064
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	4,590	4,789
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	478	498
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	3,189	3,312
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	567	588
Ontario Financing Authority loan payable, 3.242% per annum, repayable in semi-annual blended payments of \$14,737, maturing March 2041	444	459
Ontario Financing Authority loan payable, 3.594% per annum, repayable in semi-annual blended payments of \$18,131, maturing March 2042	545	561
	<u>\$ 29,569</u>	<u>\$ 31,098</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2020

(tabular amounts in thousands of dollars)

6. Net Long-Term Debt (continued)

Payments relating to net long-term debt outstanding as at August 31, 2020 are due as follows:

	Principal	Interest	Total
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
2025	1,930	1,038	2,968
Thereafter	20,760	4,904	25,664
	<u>\$ 29,569</u>	<u>\$ 10,934</u>	<u>\$ 40,503</u>

7. Debt Charges and Capital Loan Interest

	2020	2019
Principal payments on long-term liabilities	\$ 1,529	\$ 1,459
Interest payments on long-term liabilities	1,418	1,488
	<u>\$ 2,947</u>	<u>\$ 2,947</u>

8. 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.

	2020	2019
Opening balance	\$ 169,303	\$ 166,538
Additions to deferred capital contributions	14,094	13,713
Revenue recognized in the year	(8,602)	(10,948)
Transfers (to) deferred revenue	(279)	-
	<u>\$ 174,516</u>	<u>\$ 169,303</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2020

(tabular amounts in thousands of dollars)

9. Deferred Revenue

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

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2020 is comprised of:

	Balance as at August 31 2019	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2020
Capital					
School renewal	\$ 3,890	\$ 3,655	\$ 404	\$ 938	\$ 6,203
Minor tangible capital assets	-	4,684	3,878	806	-
Interest on capital	1	1,559	1,439	121	-
Rural and Northern Education Fund	-	640	640	-	-
Retrofitting school space	217	-	-	-	217
Proceeds of disposition	3,001	1,065	-	-	4,066
School generated funds	-	53	-	53	-
	<u>7,109</u>	<u>11,656</u>	<u>6,361</u>	<u>1,918</u>	<u>10,486</u>
Operating					
Special education	-	24,082	24,082	-	-
Other provincial grants	238	1,621	1,031	-	828
Other third party	-	198	-	-	198
SEA formula based funding	184	538	386	-	336
Tuition - international student	1,168	509	1,187	-	490
	<u>1,590</u>	<u>26,948</u>	<u>26,686</u>	<u>-</u>	<u>1,852</u>
	<u>\$ 8,699</u>	<u>\$ 38,604</u>	<u>\$ 33,047</u>	<u>\$ 1,918</u>	<u>\$ 12,338</u>

Hastings and Prince Edward District School Board

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August 31, 2020

(tabular amounts in thousands of dollars)

10. Retirement and Other Employee Future Benefits

Liabilities

	2020			2019		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Accrued benefit obligation	\$ 13,145	\$ 71	\$ 1,717	\$ 14,933	\$ 15,254	
Unamortized actuarial (gains) losses	1,638	-	-	1,638	1,322	
Employee future benefits liability	\$ 11,507	\$ 71	\$ 1,717	\$ 13,295	\$ 13,932	

Change in Employee Future Benefit Liability

	2020			2019		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Current year benefit cost	\$ -	\$ 71	\$ 744	\$ 815	\$ 504	
Interest on accrued benefit obligation	262	-	31	293	433	
Benefit payments ¹	(1,395)	(44)	(448)	(1,887)	(2,242)	
Change due to plan amendment	-	-	-	-	20	
Amortization of actuarial (gains)/losses	151	(12)	1	140	169	
Net change	\$ (982)	\$ 15	\$ 328	\$ (639)	\$ (1,116)	

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

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10. Retirement and Other Employee Future Benefits (continued)

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2020 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, 2020. 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:

	2020	2019
Inflation	1.50 %	1.50 %
Wage and salary escalation	- %	- %
Insurance and health care cost escalation	7.25 %	7.75 %
Dental cost escalation	4.50 %	4.50 %
Discount rate	1.40 %	2.00 %

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, 2019. The results of this valuation disclosed an actuarial deficit of \$3.397 billion as at that date. During the year ended August 31, 2020, the Board contributed \$2,607,938 (2019 - \$2,451,149) 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

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(tabular amounts in thousands of dollars)

10. Retirement and Other Employee Future Benefits (continued)

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. 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 \$71,095 (2019 - \$55,853)

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, 2020 and is based on the average daily salary and banked sick days of employees as at August 31, 2020.

Hastings and Prince Edward District School Board

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(tabular amounts in thousands of dollars)

11. Ontario School Board Insurance Exchange (OSBIE)

The School Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$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.

12. Expenditures by Object

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

	Budget 2020	Actual 2020	Actual 2019
Current expenses			
Salary and wages	\$ 136,651	\$ 134,808	\$ 136,370
Employee benefits	21,581	21,705	21,903
Staff development	925	396	630
Supplies and services	12,838	10,824	12,093
Interest	1,419	1,418	1,488
Rental expenses	166	155	90
Fees and contract services	17,540	16,352	16,891
Other	185	172	190
Amortization and write down of tangible capital assets	7,613	8,870	11,217
School funded activities	3,818	2,198	4,101
	<u>\$ 202,736</u>	<u>\$ 196,898</u>	<u>\$ 204,973</u>

13. Trust Funds

Trust funds administered by the Board amounting to \$1,533,766 (2019 - \$1,662,131) 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, 2020

(tabular amounts in thousands of dollars)

14. Tangible Capital Assets

	Cost				Accumulated Amortization				Net Book Value	Net Book Value
	Opening	Additions	Disposals	Closing	Opening	Additions	Disposals	Closing	2020	2019
Land	\$ 1,397	\$ -	\$ -	\$ 1,397	\$ -	\$ -	\$ -	\$ -	\$ 1,397	\$ 1,397
Land improvements	8,090	272	-	8,362	3,135	487	-	3,622	4,740	4,955
Buildings	238,317	11,704	-	250,021	77,757	6,921	-	84,678	165,343	160,560
Assets Permanently Removed from Service	12,305	-	(1,839)	10,466	9,450	524	(1,559)	8,415	2,051	2,855
Construction in progress	301	1,341	-	1,642	-	-	-	-	1,642	301
Furniture	1,880	-	-	1,880	1,129	188	-	1,317	563	751
Equipment	1,205	259	(185)	1,279	805	129	(185)	749	530	400
Computer hardware	3,033	491	(907)	2,617	1,527	559	(907)	1,179	1,438	1,506
Computer software	273	-	(18)	255	190	32	(18)	204	51	83
Vehicles	234	97	-	331	133	30	-	163	168	101
	\$ 267,035	\$ 14,164	\$ (2,949)	\$ 278,250	\$ 94,126	\$ 8,870	\$ (2,669)	\$ 100,327	\$ 177,923	\$ 172,909

a) Write-down of tangible capital assets

The write-down of tangible capital assets during the year was \$524,486 (2019 - \$3,776,189).

b) Assets permanently removed from service

The Board has identified 2 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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(tabular amounts in thousands of dollars)

15. Accumulated Surplus

Accumulated surplus consists of the following:

	2020	2019
Available for Compliance - Unappropriated Operating accumulated surplus	\$ 10,261	\$ 9,561
Unavailable for Compliance		
School generated funds	1,906	1,948
Revenues recognized for land	1,397	1,318
Interest to be accrued	(406)	(448)
Employee future benefits	(6,620)	(10,949)
Total Unavailable for Compliance	(3,723)	(8,131)
Total Accumulated Surplus (Deficit)	\$ 6,538	\$ 1,430

16. 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:

	2020	2019
Fund Balances		
Fund balance, beginning of year	\$ 1,540	\$ 1,476
Excess of revenue over expenses	57	64
Fund balance, end of year	\$ 1,597	\$ 1,540
Operations		
Revenues	\$ 2,192	\$ 1,904
Expenses	2,135	1,840
Excess of revenue over expenses	\$ 57	\$ 64

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2020

(tabular amounts in thousands of dollars)

17. Commitments

The Board has 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 \$23,142,000. As at August 31, 2020, approximately \$1,624,000 in costs have been incurred and the expected completion dates for these projects range from 2021 to 2022.

18. Partnership in Tri-Board Transportation Services Inc

On September 12, 2006, the Tri-Board Student Transportation Services Inc. was incorporated. On November 1, 2006, the Board entered into an agreement with the Tri-Board Student Transportation Services Inc. in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement created at the time the Tri-Board Student Transportation Services Inc. was established, decisions related to the financial and operating activities of the Tri-Board Student Transportation Services Inc are shared. No partner is in a position to exercise unilateral control.

This entity is proportionally consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2020		2019	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 3,197	\$ 1,066	\$ 1,699	\$ 566
Financial liabilities	3,353	1,118	1,880	627
Non-financial assets	219	73	238	79
Accumulated surplus (deficit)	\$ 63	\$ 21	\$ 57	\$ 18
Operations:				
Revenues	\$ 39,666	\$ 13,222	\$ 40,691	\$ 13,564
Expenses	39,660	13,220	40,614	13,538
Annual surplus	\$ 6	\$ 2	\$ 77	\$ 26

Hastings and Prince Edward District School Board

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19. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a global pandemic. The pandemic has had a significant impact on the global economy and the education system. On March 12, 2020, the Province of Ontario ordered the closure of all publicly funded schools. This closure was later extended to include the remainder of the 2019/2020 school year and education services were moved to a virtual learning platform.

The Ontario Ministry of Education has provided new funding and authorized the redirection of existing funding towards the costs related to implementing safe reopening measures and procuring personal protective equipment.

Schools have physically re-opened at full capacity in September 2020 with resources in place for virtual learning options offered.

Although the disruption from the virus is expected to be temporary, given the dynamic nature of these circumstances, the duration and the related financial impact cannot be reasonably estimated.

20. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.
