

**Hastings and Prince Edward
District School Board
Consolidated Financial Statements
For the year ended August 31, 2017**

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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 20, 2017



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, 2017, 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, 2017 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Emphasis of Matter

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants


Peterborough, Ontario
November 20, 2017

Hastings and Prince Edward District School Board

Consolidated Statement of Financial Position

August 31	2017	2016
	(in thousands of dollars)	
Financial Assets		
Cash and cash equivalents	\$ 12,058	\$ 2,905
Accounts receivable		
Government of Ontario - approved capital (Note 2)	46,299	44,454
Other	9,211	7,978
	67,568	55,337
Financial Liabilities		
Temporary borrowing (Note 3)	10,707	3,378
Accounts payable and accrued liabilities	17,590	11,882
Net long-term debt (Note 4)	33,949	35,044
Deferred capital contributions (Note 6)	149,113	135,155
Deferred revenue (Note 7)	6,900	7,499
Employee future benefits liability (Note 8)	16,610	18,199
	234,869	211,157
Net Debt	(167,301)	(155,820)
Contingent Liabilities (Note 15)		
Commitments (Note 16)		
Non-Financial Assets		
Prepaid expenses	3,881	4,035
Tangible capital assets (Note 12)	153,233	139,543
	157,114	143,578
Accumulated Deficit (Note 13)	\$ (10,187)	\$ (12,242)

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 2017	Actual 2017	Actual 2016
	(in thousands of dollars)		
Revenues			
Provincial legislative grants	\$ 184,411	\$ 186,634	\$ 184,930
Provincial grants - other	1,453	2,910	3,347
School generated funds	3,950	3,758	3,663
Federal grants and fees	1,594	1,654	1,665
Investment income	82	54	48
Other revenues - School Boards	-	10	13
Other fees and revenues	1,837	2,041	1,888
	193,327	197,061	195,554
Expenses (Note 10)			
Instruction	144,032	146,898	148,392
Administration	5,667	6,140	6,120
Transportation	14,422	13,269	12,791
Pupil accommodation	23,699	24,937	24,235
School generated funds	3,950	3,762	3,510
	191,770	195,006	195,048
Annual surplus	1,557	2,055	506
Accumulated deficit, beginning of year	(13,073)	(12,242)	(12,748)
Accumulated deficit, end of year	\$ (11,516)	\$ (10,187)	\$ (12,242)

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

	2017	2016
	(in thousands of dollars)	
Operations		
Annual surplus	\$ 2,055	\$ 506
Sources and (uses)		
Changes in non-cash items:		
Amortization of tangible capital assets, gain (loss) on disposal and transfers of assets held for sale	7,960	6,700
Amortization of deferred capital contributions	(7,692)	(6,431)
	<u>2,323</u>	<u>775</u>
Change in non-cash working capital balances		
Accounts receivable	(1,234)	(441)
Assets held for sale	-	509
Accounts payable and accrued liabilities	5,708	3,861
Deferred revenues - operating	177	(58)
Change in employee future benefits liability	(1,589)	(2,802)
Prepaid expenses	154	117
	<u>5,539</u>	<u>1,961</u>
Capital Transactions		
Cash used to acquire tangible capital assets	(21,650)	(12,506)
Financing		
Long-term debt issued	592	500
Change in temporary borrowing	7,329	2,807
Government of Ontario - approved capital receivable	(1,844)	(6,697)
Additions to deferred capital contributions	21,650	11,878
Debt repayments	(1,687)	(2,028)
Decrease in deferred revenues - capital	(776)	2,247
	<u>25,264</u>	<u>8,707</u>
Increase (decrease) in cash and equivalents during the year	9,153	(1,838)
Cash and equivalents, beginning of year	2,905	4,743
Cash and equivalents, end of year	\$ 12,058	\$ 2,905

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

2017

2016

(in thousands of dollars)

Annual Surplus	\$ 2,055	\$ 506
Tangible Capital Asset Activity		
Acquisition of tangible capital assets	(21,650)	(12,506)
Amortization of tangible capital assets	6,893	6,431
Write-downs of tangible capital assets	1,067	269
	<u>(13,690)</u>	<u>(5,806)</u>
Other Non-Financial Asset Activity		
Change in prepaid expenses	154	117
	<u>(11,481)</u>	<u>(5,183)</u>
Change in net debt	(11,481)	(5,183)
Net debt, beginning of year	<u>(155,820)</u>	<u>(150,637)</u>
Net debt, end of year	<u>\$ (167,301)</u>	<u>\$ (155,820)</u>

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

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2017

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, 2017

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 17)
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, 2017

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) Employee Life and Health Trusts

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established in 2016-17 for ETFO and OSSTF employee groups. ELHTs for the following employee groups will be established in 2017-18: CUPE, EWAO, OPC and 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. Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT 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) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

(i) Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits.

The board continues to provide health, dental and life insurance benefits for retired individuals and the following groups: CUPE, EWAO, OPC and non-unionized employees including principals and vice-principals, that have not yet transferred into an ELHT and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (continued)

(j) 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, 2017

1. Significant Accounting Policies (continued)

(k) Tangible Capital Assets

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

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

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

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2017

1. Significant Accounting Policies (continued)

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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, 2017

(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 \$46,298,548 as at August 31, 2017 (2016 - \$44,454,047) with respect to capital grants.

3. Temporary Borrowing

	<u>2017</u>	<u>2016</u>
Demand operating line of credit	\$ -	\$ 1,031
Banker Acceptance financing agreements	<u>10,707</u>	<u>2,347</u>
	<u>\$ 10,707</u>	<u>\$ 3,378</u>

The Board has a demand operating line of credit available to the maximum of \$12,000,000 to address operating requirements. At year-end the overdraft amount totalled \$Nil (2016 - \$1,030,594). Interest on the operating line of credit are at the bank's prime lending rate.

At year-end, the Board has three outstanding Banker Acceptance agreements available to the maximum of \$35,030,000. 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, 2017, the amount drawn under the Banker's acceptance facility was \$10,707,000 (2016 - \$2,347,000). 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, 2017

(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:

	2017	2016
Demand instalment loan, 3.22% per annum, repayable in blended monthly payments of \$32,107, due January 2017	\$ -	\$ 159
Demand instalment loan payable, 3.30% per annum, repayable in blended monthly payments of \$12,065, due April 2017	-	95
Demand instalment loan payable, 4.40% per annum, repayable in blended monthly payments of \$23,726, due February 2017	-	117
Ontario Finance Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	9,228	9,669
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	8,275	8,615
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	5,503	5,706
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	5,158	5,329
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	534	552
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	3,545	3,655
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	627	647
Ontario Financing Authority loan payable, 3.242% per annum, repayable in semi-annual blended payments of \$14,737, maturing March 2041	487	500
Ontario Financing Authority loan payable, 3.594% per annum, repayable in semi-annual blended payments of \$18,131, maturing March 2042	592	-
	<u>\$ 33,949</u>	<u>\$ 35,044</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2017

(tabular amounts in thousands of dollars)

4. Net Long-Term Debt - continued

Payments relating to net long-term debt outstanding as at August 31, 2017 are due as follows:

	Principal	Interest	Total
2018	\$ 1,393	\$ 1,575	\$ 2,968
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
Thereafter	26,290	8,296	34,586
	\$ 33,949	\$ 15,475	\$ 49,424

5. Debt Charges and Capital Loan Interest

	2017	2016
Principal payments on long-term liabilities	\$ 1,687	\$ 2,028
Interest payments on long-term liabilities	1,612	1,688
	\$ 3,299	\$ 3,716

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.

	2017	2016
Opening balance	\$ 135,155	\$ 129,708
Additions to deferred capital contributions	21,650	11,878
Revenue recognized in the year	(7,692)	(6,431)
	\$ 149,113	\$ 135,155

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2017

(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, 2017 is comprised of:

	Balance as at August 31 2016	Externally Restricted Revenue and Investment Income	Revenue Recognized in the Period	Transferred to DCC	Balance as at August 31 2017
Capital					
School renewal	\$ 2,249	\$ 3,641	\$ 2,353	\$ 1,681	\$ 1,856
Minor tangible capital assets	-	4,381	4,241	140	-
Interest on capital	-	1,791	1,620	170	1
Retrofitting school space	608	-	-	384	224
Proceeds of disposition	2,194	-	-	-	2,194
	<u>5,051</u>	<u>9,813</u>	<u>8,214</u>	<u>2,375</u>	<u>4,275</u>
Operating					
Special education	-	21,527	21,527	-	-
Other provincial grants	-	1,576	1,405	-	171
SEA formula based funding	889	539	574	-	854
Tuition - international student	1,257	1,344	1,257	-	1,344
EPO Grants	302	256	302	-	256
	<u>2,448</u>	<u>25,242</u>	<u>25,065</u>	<u>-</u>	<u>2,625</u>
	<u>\$ 7,499</u>	<u>\$ 35,055</u>	<u>\$ 33,279</u>	<u>\$ 2,375</u>	<u>\$ 6,900</u>

Hastings and Prince Edward District School Board

Notes to Consolidated Financial Statements

August 31, 2017

(tabular amounts in thousands of dollars)

8. Retirement and Other Employee Future Benefits

Liabilities

	2017			2016		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Accrued benefit obligation	\$ 16,478	\$ 64	\$ 1,325	\$ 17,867	\$ 20,208	
Unamortized actuarial (gains) losses	1,257	-	-	1,257	2,009	
Employee future benefits liability	\$ 15,221	\$ 64	\$ 1,325	\$ 16,610	\$ 18,199	

Change in Employee Future Benefit Liability

	2017			2016		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Current year benefit cost	\$ -	\$ 64	\$ 7	\$ 71	\$ 894	
Interest on accrued benefit obligation	361	-	29	390	517	
Benefit payments ¹	(1,843)	(43)	(366)	(2,252)	(3,666)	
Change due to plan amendment	-	-	55	55	(377)	
Amortization of actuarial (gains)/losses	184	(36)	(1)	147	(61)	
Net change	\$ (1,298)	\$ (15)	\$ (276)	\$ (1,589)	\$ (2,693)	

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, 2017

(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, 2017 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, 2017. 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>2017</u>	<u>2016</u>
Inflation	1.5 %	1.5 %
Wage and salary escalation	- %	- %
Insurance and health care cost escalation	8.00 %	8.00 %
Dental cost escalation	4.00 %	4.00 %
Discount rate	2.55 %	2.05 %

Retirement Benefits

(i) Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of the Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2017, the Board contributed \$2,386,140 (2016 - \$2,579,767) 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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(tabular amounts in thousands of dollars)

8. Retirement and Other Employee Future Benefits - continued

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

Other Employee Future Benefits

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision. The Board holds funds on account in the amount of \$648,291 (2016 - \$643,384) with the purpose of meeting these obligations when necessary.

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

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave to employees who are not yet members of an EHLT. 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 \$63,842 (2016 - \$79,008)

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2012 and is based on the average daily salary and banked sick days of employees as at August 31, 2017.

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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 \$24,000,000 per occurrence.

The ultimate premiums over a five year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rate share of claims experience. The current five year term expires December 31, 2021.

10. Expenditures by Object

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

	Budget 2017	Actual 2017	Actual 2016
Current expenses			
Salary and wages	\$ 131,198	\$ 132,421	\$ 133,904
Employee benefits	18,340	19,474	19,609
Staff development	555	713	833
Supplies and services	12,612	13,250	13,684
Interest	1,616	1,612	1,688
Rental expenses	259	100	155
Fees and contract services	16,080	15,540	14,805
Other	179	174	160
Amortization and write down of tangible capital assets	6,981	7,960	6,700
School funded activities	3,950	3,762	3,510
	<u>\$ 191,770</u>	<u>\$ 195,006</u>	<u>\$ 195,048</u>

11. Trust Funds

Trust funds administered by the Board amounting to \$2,649,346 (2016 - \$1,816,651) 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	2017	2016
Land	\$ 1,407	\$ -	\$ -	\$ 1,407	\$ -	\$ -	\$ -	\$ -	\$ 1,407	\$ 1,407
Land improvements	2,206	2,164	-	4,370	926	1,271	-	2,197	2,173	1,280
Buildings	193,760	23,149	(54)	216,855	68,058	5,440	(574)	72,924	143,931	125,702
Assets Permanently Removed from Service	-	978	-	978	-	-	520	520	458	-
Construction in progress	6,909	(4,816)	-	2,093	-	-	-	-	2,093	6,909
Furniture	1,918	-	(17)	1,901	598	191	(16)	773	1,128	1,320
Equipment	1,791	-	(124)	1,667	1,002	190	(124)	1,068	599	789
Computer hardware	4,198	175	(1,190)	3,183	2,426	733	(1,190)	1,969	1,214	1,772
Computer software	605	-	(108)	497	406	90	(108)	388	109	199
Vehicles	372	-	(16)	356	207	45	(17)	235	121	165
	\$ 213,166	\$ 21,650	\$ (1,509)	\$ 233,307	\$ 73,623	\$ 7,960	\$ (1,509)	\$ 80,074	\$ 153,233	\$ 139,543

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13. Accumulated Surplus (Deficit)

Accumulated surplus (deficit) consists of the following:

	<u>2017</u>		<u>2016</u>
Available for Compliance - Unappropriated			
Operating accumulated surplus (deficit)	\$ 822	\$	680
Available for Compliance - Internally Appropriated			
Workplace Safety and Insurance Board	648		639
Total Available for Compliance	<u>1,470</u>		<u>1,319</u>
Unavailable for Compliance			
School generated funds	2,161		2,164
Revenues recognized for land	1,328		1,328
Interest to be accrued	(462)		(474)
Employee future benefits	<u>(14,684)</u>		<u>(16,579)</u>
Total Unavailable for Compliance	<u>(11,657)</u>		<u>(13,561)</u>
Total Accumulated Surplus (Deficit)	<u>\$ (10,187)</u>	<u>\$</u>	<u>(12,242)</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:

	2017	2016
Fund Balances		
Fund balance, beginning of year	\$ 1,009	\$ 964
Excess of revenue over expenses	199	45
Fund balance, end of year	<u>\$ 1,208</u>	<u>\$ 1,009</u>
Operations		
Revenues	\$ 1,776	\$ 1,832
Expenses	1,577	1,787
Excess of revenue over expenses	<u>\$ 199</u>	<u>\$ 45</u>

15. Contingent Liabilities

The Board is party to several claims seeking judgments totalling \$7,000,000, and are currently under consideration in the courts. The Board believes that the majority of these claims would be eligible for coverage under the Board's insurance policy. Should the courts decide against the Board, uninsured damages could amount to \$4,000,000. The ultimate outcome of these claims is uncertain and as such, no amounts have been recorded as a liability in the consolidated financial statements.

16. Commitments

The Board has received Ministry of Education approval to undertake construction on Trent River Public School and Marmora Senior Public School. The approval of these capital projects amounts to \$18,348,629. At August 31, 2017, \$15,295,887 of this work has been performed and has been reported as capital assets in buildings or construction in progress. The remaining costs will be incurred subsequent to year end.

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17. 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:

	2017		2016	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 3,511	\$ 1,170	\$ 1,008	\$ 336
Financial liabilities	3,839	1,280	1,274	424
Non-financial assets	280	93	200	67
Accumulated surplus (deficit)	\$ (48)	\$ (17)	\$ (66)	\$ (21)
Operations:				
Revenues	\$ 37,493	\$ 12,498	\$ 38,068	\$ 12,689
Expenses	37,475	12,492	38,132	12,711
Annual surplus / (deficit)	\$ 18	\$ 6	\$ (64)	\$ (22)