

Consolidated Financial Statements of

**HASTINGS AND PRINCE EDWARD
DISTRICT SCHOOL BOARD**

Year ended August 31, 2023

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

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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 Board's management and 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 as described in note 1 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, 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.

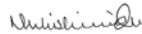
The audit committee of the Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to recommending the Board's approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.



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Director of Education



Superintendent of
Business Services

November 27, 2023



KPMG LLP
863 Princess Street, Suite 400
Kingston, ON K7L 5N4
Canada
Telephone 613 549 1550
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INDEPENDENT AUDITORS' 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 (the Entity), which comprise:

- the Consolidated Statement of Financial Position as at end of August 31, 2023
- the Consolidated Statements of Operations and Accumulated Surplus for the year then ended
- the Consolidated Statement of Changes in Net Debt for the year then ended
- the Consolidated Statement of Accumulated Remeasurement Gains (Losses) for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at end of August 31, 2023 and its consolidated results of operations and its consolidated cash flows for the year then ended 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.

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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity 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.



Other Matter - Comparative Information

The financial statements for the year ended August 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on November 14, 2022.

As part of our audit of the financial statements for the year ended August 31, 2023, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended August 31, 2022. In our opinion, such adjustments are appropriate and have been properly applied.

Emphasis of Matter – Financial Reporting Framework

We draw attention to note 1 to the consolidated financial statements which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Comparative Information

We draw attention to Notes 2 and 26 to the financial statements (“Note 2”) which explains that certain comparative information presented for the year ended August 31, 2022 has been restated.

Notes 2 and 26 explains the reasons for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation



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- 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
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

November 27, 2023

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2023, with comparative information for 2022
(in thousands of dollars)

	2023	2022
	(Restated – notes 2 and 26)	
Financial assets:		
Cash	\$ 17,153	\$ 6,050
Accounts receivable:		
Province of Ontario – approved capital and delayed grant payment (note 3)	45,058	47,932
Accounts receivable - Municipalities	9,738	5,252
Accounts receivable - Other	7,334	11,226
Assets held for sale (note 4)	650	–
Total financial assets	79,933	70,460
Financial liabilities:		
Temporary borrowing (note 5)	8,906	3,947
Accounts payable:		
Government of Ontario	1,907	699
Trade payable and accrued liabilities	13,363	14,046
Net long-term debt (note 6)	24,532	26,290
Deferred capital contributions (note 8)	170,145	165,295
Deferred revenue (note 9)	12,251	12,897
Employee future benefits liability (note 12)	10,890	11,682
Asset retirement obligation (note 2 and 10)	31,356	28,696
Total financial liabilities	273,350	263,552
Net debt	(193,417)	(193,092)
Non-financial assets:		
Prepaid expenses	609	4,958
Tangible capital assets (note 17)	181,863	174,930
Total non-financial assets	182,472	179,888
Commitments (notes 20)		
Contingent liabilities (note 21)		
Subsequent event (note 28)		
Accumulated deficit (note 18)	\$ (10,945)	\$ (13,204)

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

On behalf of the Board:

 Vice - Chair

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HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2023, with comparative information for 2022

(in thousands of dollars)

	2023 Budget (note 22)	2023 Actual	2022 Actual (Restated - notes 2 and 26)
Revenues:			
Grants for student needs:			
Education property tax (note 14)	\$ 38,520	\$ 43,088	\$ 39,086
Provincial legislative grants (note 14)	174,709	178,321	172,704
Provincial grants - other	1,776	4,052	7,564
School generated funds	3,047	4,121	2,264
Federal grants and fees	1,864	2,555	2,091
Investment income	60	720	129
Other fees and revenues from school boards	42	118	7
Other fees and revenues	2,556	3,375	2,461
	<u>222,574</u>	<u>236,350</u>	<u>226,306</u>
Expenses (note 15):			
Instruction	164,799	168,773	164,894
Administration	6,870	7,054	7,749
Transportation	17,646	17,890	16,688
Pupil accommodation	29,657	33,528	34,101
School generated funds expenses	3,047	3,848	2,199
Other	1,354	2,998	2,013
	<u>223,373</u>	<u>234,091</u>	<u>227,644</u>
Annual surplus (deficit)	(799)	2,259	(1,338)
Accumulated surplus, beginning of year	11,001	(13,204)	9,617
Adjustment on adoption of asset retirement obligation standard (note 2)	(21,483)	-	(21,483)
Accumulated surplus, beginning of year, as restated	(10,482)	(13,204)	(11,866)
Accumulated surplus (deficit), end of year (note 18)	\$ (11,281)	\$ (10,945)	\$ (13,204)

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

Year ended August 31, 2023, with comparative information for 2022

(in thousands of dollars)

	2023	2022 (Restated - notes 2 and 26)
Annual surplus (deficit)	\$ 2,259	\$ (1,338)
Acquisition of tangible capital assets and addition of tangible capital assets - asset retirement obligation	(18,776)	(19,516)
Amortization of tangible capital assets	13,523	12,752
Amortization of tangible capital assets - asset retirement obligation	717	575
Write-down of disposal of tangible capital assets	8	1,696
Changes in estimate of tangible capital assets - asset retirement obligation	(3,055)	-
Transfer to assets held for sale	650	-
	(6,933)	(4,493)
Other non-financial asset activity:		
Change in prepaid expenses	4,349	2,844
Change in net debt	(325)	(2,987)
Net debt, beginning of year	(193,092)	(161,409)
Adjustment on adoption of asset retirement obligation standard	-	(28,696)
Net debt, beginning of year, as restated (note 2)	(193,092)	(190,105)
Net debt, end of year	\$ (193,417)	\$ (193,092)

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

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2023, with comparative information for 2022

(in thousands of dollars)

	2023	2022
		(Restated - notes 2 and 26)
Operating transactions:		
Annual surplus (deficit)	\$ 2,259	\$ (1,338)
Non-cash items including:		
Amortization of tangible capital assets on disposal and transfers of assets held for sale	13,523	14,448
Amortization of tangible capital assets - asset retirement obligation	717	575
Write-down of disposal of tangible capital assets	8	-
Increase of tangible capital assets - asset retirement obligation	(3,055)	-
Increase of asset retirement obligation liabilities excluding settlements	3,608	-
Amortization of deferred capital contributions and transfers of assets held for sale	(13,236)	(14,157)
Decrease of prepaid expenses	4,349	2,844
	8,173	2,372
Change in non-cash assets and liabilities:		
Accounts receivable	522	(1,809)
Accounts payable and accrued liabilities	525	(4,564)
Deferred revenue - operating	350	528
Employee future benefits liability	(792)	(1,106)
Deferred revenue – capital	(996)	(173)
Settlement of asset retirement liability through abatement	(948)	-
Cash provided by (used in) operating transactions	6,834	(4,752)
Capital transactions:		
Cash used to acquire tangible capital assets	(18,776)	(19,516)
Financing transactions:		
Change in temporary borrowing	4,959	725
Government of Ontario – approved capital receivable	1,758	6,103
Additions to deferred capital contributions	18,086	19,440
Debt repayments	(1,758)	(1,678)
Cash provided by financing transactions	23,045	24,590
Increase in cash during the year	11,103	322
Cash, beginning of year	6,050	5,728
Cash, end of year	\$ 17,153	\$ 6,050

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

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Consolidated Statement of Accumulated Remeasurements Gains (Losses)

Year ended August 31, 2023, with comparative information for 2022

(in thousands of dollars)

	2023	2022 (Restated - note 2)
Accumulated remeasurement losses, beginning of year	\$ —	\$ —
Unrealized gains (losses) attributable to:		
Foreign exchange gains (losses)	—	—
Derivatives	—	—
Portfolio investments	—	—
Increase (decrease) in cash during the year	—	—
Realized gains (losses) attributable to:		
Foreign exchange gains (losses)	—	—
Accumulated remeasurement losses, end of year	\$ —	\$ —

See accompanying notes to financial statements.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies:

The consolidated financial statements of the Hastings and Prince Edward District School Board (the "Board") 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.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(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.

Proportionately consolidated entities include:

Tri-Board Student Transportation Services Inc. (Note 23)

(c) 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 16 to these consolidated financial statements.

(d) Cash and cash equivalents:

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

(e) 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 expenditures are incurred or services performed.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(f) 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; and
- Property taxation revenues which were historically used to fund capital assets.

(g) 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. Boards no longer administer health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Payment for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(g) Retirement and other employee future benefits (continued):

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

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 and 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, 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 ("OMERS"), 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 (continued)

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(h) 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 and legally or contractually required retirement activities. 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 Lives
Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Furniture	10 years
Equipment	5 to 15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction and assets that relate to pre-acquisition and pre-construction 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.

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(i) 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 and recognized as revenue in the Consolidated Statement of Operations at the same rate and over the same periods as the asset is amortized.

(j) 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.

(k) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees. The approved budget 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. The budget figures presented have been adjusted to reflect the same accounting policies that were used to prepare the consolidated financial statements. The budget figures are unaudited. The Board approves its budget annually. The approved operating budget for 2022-2023 is reflected on the Consolidated Statement of Operations and Accumulated Surplus. The budget was approved on June 19, 2022.

(l) 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.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

1. Significant accounting policies (continued):

(l) Use of estimates (continued):

There is measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations of \$31,356. These estimates are subject to uncertainty because of several factors including but not limited to incomplete information on the extent of controlled materials used (e.g. asbestos included in inaccessible construction material), indeterminate settlement dates and the allocation of costs between required and discretionary activities.

(m) Education property tax credit:

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, education property tax revenue received from the municipalities is recorded as part of Grants for Student Needs under Education Property Tax.

2. Change in accounting policy-adoption of new accounting standards:

The Board adopted the following standards concurrently beginning September 1, 2022 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments*, and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denoted in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

2. Change in accounting policy-adoption of new accounting standards (continued):

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Statement of Remeasurement Gains and Losses.

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and where they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability (if applicable).

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on September 1, 2022 on a modified retroactive basis with prior period restatement.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

2. Change in accounting policy-adoption of new accounting standards (continued):

In the past, the Board has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. It has reported obligations for closure and post closure activities related to landfill sites as the landfill site's capacity was used (if applicable). The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270, Solid Waste Landfill Closure and Post-Closure Liability (PS 3270). Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from board buildings and closure and post closure activities related to landfill sites (if applicable). The Board reports liabilities related to the legal obligations where the Board is obligated to incur costs to retire a tangible capital asset.

The Board's ongoing efforts to assess the extent to which designated substances exist in board assets, and new information obtained through regular maintenance and renewal of board assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

To estimate the liability for buildings of a similar vintage that do not have information on asbestos and other designated substances, the board uses buildings with assessments from a corresponding vintage on the extent and nature of the designated substances in the building to measure the liability and those buildings and this information is extrapolated to a group of similar assets that do not have designated substances reports. As more information becomes available on specific assets, the liability is revised to be asset specific. In other situations, where the building might not be part of a large portfolio, other techniques are used such as using industry data, experts or basing the estimate on a specific asset that is similar (if applicable).

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

2. Change in accounting policy-adoption of new accounting standards (continued):

As a result of applying this accounting standard, an asset retirement obligation of \$31,356 (2022 - \$28,696) was recognized as a liability in the Statement of Financial Position. These obligations represent estimated retirement costs for the Board owned buildings and equipment, including tanks, and restoration costs related to leasehold improvements. The Board has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization and amortization expense for the period September 1, 2022 to August 31, 2023 as a proxy for September 1, 2021 to August 31, 2022 information. The associated TCA gross book value, TCA accumulated amortization and TCA amortization expense were restated.

The adoption of PS 3280 ARO was applied to the comparative period as follows:

2022	As previously reported	Adjustments	As restated
Statement of Financial Position			
Tangible capital assets including ARO	\$ 168,292	\$ 6,638	\$ 174,930
Asset retirement obligation liability	-	28,696	28,696
Accumulated surplus (deficit)	8,854	(22,058)	(13,204)
Statement of Change in Net Debt			
Annual surplus (deficit)	(763)	(575)	(1,338)
Amortization of tangible capital assets (including ARO)	14,448	575	15,023
Change in net debt	(2,987)	-	(2,987)
Statement of Operations			
Amortization of tangible capital assets (including ARO)	14,448	575	15,023
Annual surplus (deficit)	9,617	(21,483)	(11,866)

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

3. Accounts receivable - Government of Ontario:

The Province of Ontario (Province) replaced variable capital funding with a one-time debt support grant in 2009-2010. The 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 \$35,508 as at August 31, 2023 (2022 - \$37,223) with respect to capital grants.

The Ministry of Education (the "Ministry") introduced a cash management strategy effective September 1, 2018. As part of the strategy, the Ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Province of Ontario at August 31, 2023 is \$9,550 (2022 - \$10,709).

4. Assets held for sale:

As of August 31, 2023, \$650 (2022 - Nil) related to buildings and \$Nil (2022 - \$Nil) related to land were recorded as assets held for sale.

5. Temporary borrowing:

	2023	2022
Banker's Acceptance financing agreements	\$ 8,906	\$ 3,947

The Board has a demand operating line of credit available to the maximum of \$10,000 to address operating requirements. At year-end the overdraft amount totalled \$Nil (2022 - \$Nil). Interest on the operating line of credit is at the bank's prime lending rate.

At year-end, the Board has five outstanding Banker's Acceptance agreements available to the maximum of \$47,373. These loans provide short-term financing to partially pay for capital expenditures for certain schools and for additions/renovations under the School Condition Improvement program, and the Capital Priorities Grant. At August 31, 2023, the total amount drawn under Banker's Acceptance facilities was \$8,906 (2022 - \$3,947). Interest on the Banker's Acceptance facilities are based on Banker's Acceptance rate plus 75 basis points. The facility is renewed every 30 days.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(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:

	2023	2022
Ontario Financing Authority loan payable, 4.56% per annum, repayable \$438,422 semi-annually principal and interest, due November 2031	\$ 6,121	\$ 6,700
Ontario Financing Authority loan payable, 4.90% per annum, repayable in semi-annual blended payments of \$379,275, maturing March 2033	5,846	6,301
Ontario Financing Authority loan payable, 5.062% per annum, repayable in semi-annual blended payments of \$244,898, maturing March 2034	4,043	4,318
Ontario Financing Authority loan payable, 5.232% per annum, repayable in semi-annual blended payments of \$223,609, maturing April 2035	3,927	4,159
Ontario Financing Authority loan payable, 4.833% per annum, repayable in semi-annual blended payments of \$21,787, maturing March 2036	413	436
Ontario Financing Authority loan payable, 3.799% per annum, repayable in semi-annual blended payments of \$123,385, maturing March 2038	2,791	2,929
Ontario Financing Authority loan payable, 2.993% per annum, repayable in semi-annual blended payments of \$19,065, maturing March 2040	501	524
Ontario Financing Authority loan payable, 3.242% per annum, repayable in semi-annual blended payments of \$14,737, maturing March 2041	397	414
Ontario Financing Authority loan payable, 3.594% per annum, repayable in semi-annual blended payments of \$18,131, maturing March 2042	493	509
	\$ 24,532	\$ 26,290

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

6. Net long-term debt (continued):

Payments relating to net long-term debt outstanding as at August 31, 2023 are due as follows:

	Principal	Interest	Total
2023-2024	\$ 1,842	\$ 1,126	\$ 2,968
2024-2025	1,930	1,038	2,968
2025-2026	2,022	946	2,968
2026-2027	2,119	849	2,968
2027-2028	2,220	748	2,968
Thereafter	14,399	2,355	16,754
	<u>\$ 24,532</u>	<u>\$ 7,062</u>	<u>\$ 31,594</u>

7. Debt charges and capital loan interest:

	2023	2022
Principal payments on long-term liabilities	\$ 1,758	\$ 1,678
Interest payments on long-term liabilities	1,186	1,268
	<u>\$ 2,944</u>	<u>\$ 2,946</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.

	2023	2022
Opening balance	\$ 165,295	\$ 160,012
Additions to deferred capital contributions	18,736	19,440
Revenue recognized in the year	(13,236)	(14,157)
Disposal of deferred capital contributions	(650)	—
	<u>\$ 170,145</u>	<u>\$ 165,295</u>

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(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, 2023 is comprised of:

	Balance as at August 31, 2022	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2023
Capital:					
School renewal	\$ 5,892	\$ 3,536	\$ 2,205	\$ 2,989	\$ 4,234
Minor tangible capital assets	–	5,108	4,729	379	–
Interest on capital	–	1,812	1,210	602	–
Rural and Northern Education Fund	–	590	–	590	–
Experiential Learning Envelope	299	549	451	4	393
Temporary Accommodation	92	238	321	–	9
Retrofitting school space	217	–	–	–	217
Proceeds of disposition	4,066	–	–	–	4,066
Assets held for sale	–	650	–	–	650
	10,566	12,483	8,916	4,564	9,569
Operating:					
Special education	–	26,395	26,395	–	–
FSL	–	89	83	–	6
Targeted Student Supports	–	630	543	–	87
Indigenous Allocation	1,203	2,694	2,471	–	1,426
PPF	288	46	288	–	46
SEA formula-based funding	121	613	543	–	191
Other third party	–	163	–	–	163
Tuition – international student	719	763	719	–	763
	2,331	31,393	31,042	–	2,682
	\$ 12,897	\$ 43,876	\$ 39,958	\$ 4,564	\$ 12,251

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

10. Asset retirement obligations:

The Board has recorded ARO as of the September 1, 2022 implementation date on a modified retroactive basis, with a simplified restatement of prior year amounts.

As at August 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO liability is below:

	2023	2022
Liabilities for asset retirement obligations, beginning of year	\$ 28,696	\$ –
Opening adjustments for PSAB adjustment	–	28,696
Increase in liabilities reflecting changes in the estimate of liabilities ¹	3,608	–
Liabilities settled during the year	(948)	–
Liabilities for asset retirement obligations at end of year	\$ 31,356	\$ 28,696

¹ Reflecting changes in the estimated cash flows (note 11)

11. Revaluation of asset retirement obligations liability:

As a result of recent high levels of inflation, liability balances based on previous cost estimates, the board has made an inflation adjustment increase in estimates of 14.05% as at March 31, 2023, in line with the Provincial government fiscal year end, to reflect costs as at that date. This rate represents the percentage increase in the Canada Building Construction Price Index (BCPI) survey from October 1, 2021 to September 30, 2022 and is the rate being used to update cost assumptions in the costing models in order to be reflective of March 31, 2023 costs.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

12. Retirement and other employee future benefits:

Liabilities:

				2023		2022	
	Retirement benefits	Sick leave benefits	Other employee- future benefits	Total employee- future benefits	Total employee- future benefits	Total employee- future benefits	Total employee- future benefits
Accrued benefit obligation	\$ 8,933	\$ 159	\$ 1,810	\$ 10,902	\$ 12,003		
Unamortized actuarial (gains) losses	28	–	(16)	12	321		
Employee future benefit liability	\$ 8,905	\$ 159	\$ 1,826	\$ 10,890	\$ 11,682		

Change in employee future benefit liability:

				2023		2022	
	Retirement benefits	Sick leave benefits	Other employee- future benefits	Total employee- future benefits	Total employee- future benefits	Total employee- future benefits	Total employee- future benefits
Current year benefit cost	\$ -	\$ 159	\$ 645	\$ 804	\$ 480		
Interest on accrued benefit obligation	368	–	54	422	230		
Benefit payments	(1,386)	(125)	(584)	(2,095)	(2,020)		
Amendment changes	45	–	–	45	58		
Amortization of actuarial (gains)/losses	83	(52)	(1)	30	144		
Net change	\$ (890)	\$ (18)	\$ 114	\$ (794)	\$ (1,108)		

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 (continued)

Year ended August 31, 2023
(in thousands of dollars)

12. Retirement and other employee future benefits (continued):

Actuarial assumptions:

The accrued benefit obligations for employee future benefit plans as at August 31, 2023 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2023. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2023	2022
Salary escalation	2.50%	2.70%
Insurance and health care cost escalation	4.00%	4.00%
Dental cost escalation	4.00%	4.00%
Discount rate	4.40%	3.90%
Inflation rate	2.00%	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, 2022. The results of this valuation disclosed an actuarial deficit of \$6.7 billion. During the year ended August 31, 2023 the Board contributed \$2,838 (2022 - \$2,791) 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 (continued)

Year ended August 31, 2023
(in thousands of dollars)

12. Retirement and other employee future benefits (continued):

Retirement 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 ("WSIB"):

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 \$159 (2022 - \$177).

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, 2023 and is based on the average daily salary and banked sick days of employees as at August 31, 2023.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

13. 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. The school board entered into this agreement on January 1, 2022. OSBIE insures general liability, property damage and certain other risks. Liability insurance is available to a maximum of \$27,000,000 per occurrence. Premiums paid to OSBIE for the policy year ending December 31, 2023 amounted to \$342 (2022 - \$288).

Any school board wishing to join OSBIE must execute a reciprocal insurance exchange agreement whereby every member commits to a five-year subscription period, the current one of which will end on December 31, 2026.

OSBIE exercises stewardship over the assets of the reciprocal, including the guarantee fund. While no individual school board enjoys any entitlement to access the assets of the reciprocal, the agreement provides for two circumstances when a school board, that is a member of a particular underwriting group, may receive a portion of the accumulated funds of the reciprocal.

- 1) In the event that the board of directors determines, in its absolute discretion, that the exchange has accumulated funds in excess of those required to meet the obligations of the Exchange, in respect of claims arising in prior years in respect of the underwriting group, the Board of Directors may reduce the actuarially determined rate for policies of insurance or may grant premium credits or policyholder dividends for that underwriting group in any subsequent underwriting year.
- 2) Upon termination of the exchange of reciprocal contracts of insurance within an Underwriting Group, the assets related to the Underwriting Group, after payment of all obligations, and after setting aside an adequate reserve for further liabilities, shall be returned to each Subscriber in the Underwriting Group according to its subscriber participation ratio and after termination the reserve for future liabilities will be reassessed from time to time and when all liabilities have been discharged, any remaining assets returned as the same basis upon termination.

In the event that a Board or other Board organization ceases to participate in the exchange of contracts of insurance within an Underwriting Group or within the Exchange, it shall continue to be liable for any Assessment(s) arising during or after such ceased participation in respect of claims arising prior to the effective date of its termination of membership in the Underwriting Group or in the exchange, unless satisfactory arrangements are made with in the board of directors to buy out such liability.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

14. Grants for students needs:

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: provincial legislative grants and local taxation in the form of education property tax. The provincial government sets the education property tax rate. Municipalities in which the board operates collect and remit education property taxes on behalf of the Province of Ontario. The Province of Ontario provides additional funding up to the level set by the education funding formulas. 95.4% (2022 - 97.0%) of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs. The payment amounts of this funding are as follows:

		2023		2022
Provincial legislative grants	\$	178,321	\$	172,704
Education property tax		43,088		39,086
	\$	221,409	\$	211,790

15. Expenses by object:

The following is a summary of the expenses reported on the Consolidated Statement of Operations and Accumulated Surplus by object:

	Budget 2023	Actual 2023	Actual 2022
	(note 22)		
Expenses:			
Salary and wages	\$ 145,241	\$ 149,161	\$ 147,069
Employee benefits	24,394	26,241	24,616
Staff development	1,528	756	532
Supplies and services	15,164	14,892	16,762
Interest on long-term debt	1,188	1,187	1,268
Rental expenses	178	174	189
Fees and contract services	21,546	20,419	19,783
Other	1,570	2,613	203
Amortization, write-downs and loss on disposal of tangible capital assets and tangible capital assets - asset retirement obligations	9,518	14,800	15,023
School-funded activities	3,046	3,848	2,199
	\$ 223,373	\$ 234,091	\$ 227,644

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

16. Trust funds:

Trust funds administered by the Board amounting to \$1,333 (2022 - \$1,595) 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 (continued)

Year ended August 31, 2023
(in thousands of dollars)

17. Tangible capital assets:

Amortization is calculated on a straight-line basis over the estimated useful life of the tangible capital assets as follows:

Cost	Balance at August 31, 2022	Adjustment for PS3280 (note 2)	Opening balance, adjusted	Additions	Disposals, write-downs and adjustments	Transfer to financial asset	Revaluation of TCA-ARO	Balance at August 31, 2023
Land	\$ 1,396	\$ –	\$ 1,396	\$ –	\$ –	\$ –	\$ –	\$ 1,396
Land improvements	8,769	–	8,769	393	(57)	(121)	–	8,984
Buildings	280,042	24,685	304,727	12,083	–	–	3,055	319,865
Assets permanently removed from service	10,466	–	10,466	–	–	(2,408)	–	8,058
Construction in progress	7,516	–	7,516	5,485	–	–	–	13,001
Furniture	1,696	–	1,696	–	(917)	–	–	779
Equipment	904	–	904	317	(46)	–	–	1,175
Computer hardware	3,224	–	3,224	320	(666)	–	–	2,878
Computer software	351	–	351	100	(82)	–	–	369
Vehicles	552	–	552	78	(36)	–	–	594
Total	\$ 314,916	\$ 24,685	\$ 339,601	\$ 18,776	\$ (1,804)	\$ (2,529)	\$ 3,055	\$ 357,099

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

17. Tangible capital assets (continued):

	Balance at August 31, 2022	Adjustment for PS3280 (note 2)	Opening balance, adjusted	Additions	Disposals, write-downs and adjustments	Transfer to financial asset	Revaluation of TCA-ARO	Balance at August 31, 2023
Accumulated amortization								
Land	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Land improvements	3,579	–	3,579	546	(49)	(121)	–	3,955
Buildings	130,573	18,047	148,620	12,488	–	–	–	161,108
Assets permanently removed from service	8,416	–	8,416	–	–	(1,758)	–	6,658
Construction in progress	–	–	–	–	–	–	–	–
Furniture	1,483	–	1,483	124	(917)	–	–	690
Equipment	416	–	416	116	(46)	–	–	486
Computer hardware	1,871	–	1,871	831	(666)	–	–	2,036
Computer software	136	–	136	69	(82)	–	–	123
Vehicles	150	–	150	66	(36)	–	–	180
Total	\$ 146,624	\$ 18,047	\$ 164,671	\$ 14,240	\$ (1,796)	\$ (1,879)	\$ –	\$ 175,236

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

17. Tangible capital assets (continued):

	Net book value August 31, 2022	Net book value August 31, 2023
Land	\$ 1,396	\$ 1,396
Land improvements	5,190	5,029
Buildings	156,107	158,757
Assets permanently removed from service	2,050	1,400
Construction-in-progress	7,516	13,001
Furniture	213	89
Equipment	488	689
Computer hardware	1,353	842
Computer software	215	246
Vehicles	402	414
Total	\$ 174,930	\$ 181,863

(a) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$8 (2022 - \$1,696).

18. Accumulated surplus (deficit):

Accumulated surplus (deficit) consists of the following:

	2023	2022
Available for compliance - unappropriated	\$ 10,958	\$ 9,953
Unavailable for compliance:		
Invested in tangible capital assets	244	231
School generated funds	1,909	1,636
Revenues recognized for land	1,396	1,396
Interest to be accrued	(336)	(359)
Asset retirement obligations	(22,380)	(22,059)
Employee future benefits	(2,736)	(4,002)
Total accumulated deficit	\$ (10,945)	\$ (13,204)

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

19. The Hastings and Prince Edward Learning Foundation:

The Board has an economic interest in 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 of the Foundation as at August 31:

	2023		2022	
Fund balances:				
Fund balance, beginning of year	\$	2,390	\$	2,019
Excess of revenue over expenses		206		371
Fund balance, end of year	\$	2,596	\$	2,390
Operations:				
Revenues	\$	2,367	\$	3,295
Expenses		2,161		2,924
Excess of revenue over expenses	\$	206	\$	371

20. 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 \$31,436. As at August 31, 2023, approximately \$26,357 (2022 - \$17,504) in costs have been incurred and the expected completion dates for these projects are within the 2023-2024 fiscal year.

21. Contingent liabilities:

- (a) The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.
- (b) During the year, the Board guaranteed a portion of a credit facility for its transportation partner, Tri-Board Transportation Services Inc. As at August 31, 2023, there was \$Nil drawn on this facility.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

22. Budget:

The unaudited budget data presented in these consolidated financial statements is based upon the 2023 budgets approved by the Board. The budget was prepared prior to the implementation of the PS 3280-Assets Retirement Obligations (ARO) standard.

The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations.

Where amounts were not budgeted for (ARO amortization and accretion expenses), the actual amounts for 2023 were used to adjust the budget numbers to reflect the same accounting policies that were used to report the actual results.

As school boards only budget the Consolidated Statement of Operations, the budget figures in the Consolidated Statement of Change in Net Debt have not been provided. The adjustments do not represent a formal amended budget as approved by the Board. This is an amendment to make the 2023 budget information more comparable.

	2022-23 Budget	Change	2022-23 Budget restated and unaudited
Revenue	\$ 221,626	\$ 948	\$ 222,574
Expenses	222,103	–	222,103
Amortization of TCA-ARO	–	717	717
ARO accretion expenses	–	–	–
ARO other	–	553	553
Annual surplus (deficit)	(477)	(322)	(799)
Accumulated surplus (deficit), beginning of year	11,001	–	11,001
Accumulated surplus (deficit), PSAS adjustments	–	(21,483)	(21,483)
Adjusted accumulated surplus (deficit), beginning of year	11,001	(21,483)	(10,482)
Accumulated surplus (deficit), end of year	\$ 10,524	\$ (21,805)	\$ (11,281)

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

23. 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, along with two other coterminous Boards 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, decisions related to the financial and operating activities of the Tri-Board Student Transportation Services Inc are shared. No individual Board 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:

	Total	2023 Board Portion	Total	2022 Board Portion
Financial position:				
Financial assets	\$ 256	\$ 85	\$ 534	\$ 178
Financial liabilities	195	65	600	200
Non-financial assets	38	13	71	24
Accumulated surplus	\$ 99	\$ 33	\$ 5	\$ 2
Operations:				
Revenues	\$ 50,114	\$ 16,704	\$ 46,888	\$ 15,629
Expenses	50,020	16,673	46,888	15,629
Annual surplus	\$ 94	\$ 31	\$ -	\$ -

24. In-Kind transfers from the Ministry of Public and Business Service Delivery:

The Board has recorded entries, both revenues and expenses, associated with centrally procured in-kind transfers of personal protective equipment (PPE) and critical supplies and equipment (CSE) received from the Ministry of Public and Business Service Delivery (MPBSD). The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MPBSD and quantity information based on the records. The in-kind revenue recorded for these transfers is \$23 (2022 - \$2,012) with expenses based on use of \$23 (2022 - \$2,012) for a net impact of \$Nil.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

25. Future accounting standard adoption:

The Board is in the process of assessing the impact of the upcoming new standards and the extent of the impact of their adoption on its financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the Board for as of September 1, 2023 for the year ending August 31, 2024):

PS 3400 Revenue establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

PSG-8 Purchased Intangibles provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 Public Private Partnerships (P3s) provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

26. Restatement of comparative information:

During the year, management became aware that the tangible capital assets were being amortized and calculated using the incorrect remaining useful life resulting in the overstatement of tangible capital assets. Consequently, the amortization of the deferred capital contributions was also calculated incorrectly resulting in the overstatement of deferred capital contributions. The impact of this correction has been recorded retroactively in the August 31, 2022 comparative information and the cumulative effect up to September 1, 2021 has been recorded as \$Nil to accumulated surplus.

	2022
Accumulated surplus, beginning of year:	
As previously stated	\$ 9,617
To correct error in relation to:	
Amortization of tangible capital assets	(29,858)
Amortization of deferred capital contributions	29,858
Accumulated surplus, as restated, beginning of year	\$ 9,617
	2022
Tangible capital assets, beginning of year:	
As previously stated	\$ 193,082
To correct error in relation to:	
Amortization of tangible capital assets	(29,858)
Tangible capital assets, as restated, beginning of year	\$ 163,224
	2022
Deferred capital contributions, beginning of year:	
As previously stated	\$ 189,870
To correct error in relation to:	
Amortization of deferred capital contributions	(29,858)
Deferred capital contributions, as restated, beginning of year	\$ 160,012

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

26. Restatement of comparative information (continued):

	2022
Tangible capital assets, end of year:	
As previously stated	\$ 173,118
To correct error in relation to:	
Amortization of tangible capital assets	(4,826)
Adjustment for PS3280 (note 2)	6,638
Tangible capital assets, as restated, end of year	\$ 174,930
	2022
Deferred capital contributions, end of year:	
As previously stated	\$ 170,121
To correct error in relation to:	
Amortization of deferred capital contributions	(4,826)
Deferred capital contributions, as restated, end of year	\$ 165,295

27. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.

28. Subsequent event:

Subsequent to the financial statement date, a monetary resolution to Bill 124 was reached between the Crown and three education sector unions: the Ontario Secondary School Teachers' Federation (OSSTF) Teachers, OSSTF Education Workers and the Elementary Teachers' Federation of Ontario (ETFO) Education Workers. This agreement provides for a 0.75% increase in salaries and wages for the 2019-20 school year, a 0.75% increase in salaries and wages for the 2020-21 school year, and a minimum of 1.5% to a maximum of 3.25% increase in salaries and wages for the 2021-22 school year, which will be awarded through an arbitration process expected to be completed in the 2023-24 school year.

This agreement includes a provision whereby the Crown has committed to funding this monetary resolution for these employee groups to the applicable school boards consistent with the appropriate changes to the Grants for Student Needs benchmarks.

HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2023
(in thousands of dollars)

28. Subsequent event (continued):

No other agreements have been reached with other education workers and teachers. For other education worker and teacher unions where a settlement has not been reached by the date of the completion of the financial statements, the Board has used the same assumptions of the approved settlements to calculate the potential revenues and expenses for these education workers and unions. As such, the revenues and expenses, collectively across the different union groups are understated by \$9,031, with no impact to the overall financial position of the school board.