



**HASTINGS AND PRINCE EDWARD DISTRICT
SCHOOL BOARD
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AUGUST 31, 2011**

WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS

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**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
FINANCIAL STATEMENTS
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AS AT AUGUST 31, 2011**

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**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 management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants, except for the qualification regarding the completeness of the school generated funds, per auditors' report dated November 14, 2011.

A summary of the significant accounting policies are 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 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 Board management.

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 their approval of the consolidated financial statements.

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

(signed by R. McGall)

Director of Education and Chief Executive Officer

November 14, 2011

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Hastings and Prince Edward District School Board, which comprise the statement of financial position as at August 31, 2011, and the consolidated statements of operations, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions described in Note 1 to the consolidated financial statements.

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 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.

Auditors' 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 auditors' 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 and fair presentation 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.

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

Basis for Qualified Opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, net revenue, financial assets and net financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Hastings and Prince Edward District School Board for the year ended August 31, 2011 present fairly, in all material respects, the consolidated financial position of Hastings and Prince Edward District School Board as at August 31, 2011, and its consolidated results of operations and its consolidated change in net debt and its consolidated cash flow for the year then ended in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statement which describes the basis of accounting. The consolidated financial statements are prepared to assist Hastings and Prince Edward District School Board to meet the requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose.

Wilkinson & Company LLP

TRENTON, Canada
November 14, 2011

Chartered Accountants
Licensed Public Accountants

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2011**

	2011 \$	Restated 2010 \$
FINANCIAL ASSETS		
Cash and cash equivalents	9,321,311	10,357,109
Accounts receivable	7,463,107	7,060,460
Accounts receivable - Government of Ontario - Note 3	44,183,340	35,986,378
TOTAL FINANCIAL ASSETS	60,967,758	53,403,947
FINANCIAL LIABILITIES		
Temporary borrowing - Note 6	7,749,417	828,912
Accounts payable and accrued liabilities	12,675,245	10,125,718
Net long-term debt - Note 5	38,947,275	39,795,993
Deferred capital contributions - Note 9	90,853,552	79,491,495
Deferred revenue	2,099,868	2,070,368
Employee future benefits payable - Note 4	34,468,483	32,885,294
TOTAL FINANCIAL LIABILITIES	186,793,840	165,197,780
NET DEBT	(125,826,082)	(111,793,833)
NON-FINANCIAL ASSETS		
Prepaid expenses	3,236,507	3,106,520
Tangible capital assets - Note 8	95,352,235	84,626,761
TOTAL NON-FINANCIAL ASSETS	98,588,742	87,733,281
ACCUMULATED DEFICIT	(27,237,340)	(24,060,552)

CONTINGENCY - Note 13

SIGNED ON BEHALF OF THE BOARD

(signed by R. McGall) Signature of Chief Executive Officer

(signed by D. Inch) Signature of Chair

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2011**

	Restated & Unaudited Budget 2011 \$	Actual 2011 \$	Restated 2010 \$
REVENUES			
Provincial grants - Grants for Student Needs	131,370,881	128,832,793	165,401,276
Provincial grants - Other	1,952,857	3,364,521	2,567,601
Local taxation	42,868,561	42,710,823	42,238,562
School generated funds	5,000,000	4,753,929	4,716,776
Federal grants and fees	1,248,291	1,268,785	1,338,277
Investment income	23,000	52,884	33,821
Other revenues - School boards	-	-	15,869
Other fees and revenues	1,828,120	2,706,801	2,344,376
Amortization of Deferred Capital			
Contributions	4,579,976	4,548,090	4,609,537
TOTAL REVENUES	188,871,686	188,238,626	223,266,095
EXPENSES			
Instruction	143,445,031	143,467,855	141,483,425
Administration	6,470,458	6,469,100	6,150,970
Transportation	13,846,490	13,818,528	13,772,011
Pupil accommodation	22,135,105	22,744,542	24,206,035
School generated funds	5,000,000	4,915,389	4,724,008
TOTAL EXPENSES	190,897,084	191,415,414	190,336,449
ANNUAL SURPLUS/(DEFICIT)	(2,025,398)	(3,176,788)	32,929,646
ACCUMULATED DEFICIT - BEGINNING OF YEAR	(24,060,552)	(24,060,552)	(56,990,198)
ACCUMULATED DEFICIT - END OF YEAR	(26,085,950)	(27,237,340)	(24,060,552)

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED AUGUST 31, 2011**

	2011 \$	Restated 2010 \$
OPERATING TRANSACTIONS		
Annual surplus/(deficit)	(3,176,788)	32,929,646
Adjustment for items which do not affect cash -		
Amortization of capital assets	4,816,719	4,896,990
Loss on disposition of assets	-	22,723
Increase in accounts receivable	(8,599,609)	(34,723,326)
Increase in accounts payable and accrued liabilities	2,549,527	1,014,351
Increase in deferred capital contributions	11,362,057	1,585,962
Increase in deferred revenues	29,500	1,381,631
Increase in employee benefits payable	1,583,189	808,617
(Increase) decrease in prepaid expenses	(129,987)	561,415
CASH PROVIDED BY OPERATING TRANSACTIONS	8,434,608	8,478,009
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	(15,542,194)	(7,928,214)
CASH APPLIED TO CAPITAL TRANSACTIONS	(15,542,194)	(7,928,214)
FINANCING TRANSACTIONS		
Long-term liabilities issued	626,024	6,186,419
Increase (decrease) in temporary borrowing	6,920,505	(2,721,228)
Debt repaid	(1,474,741)	(1,282,693)
CASH PROVIDED BY FINANCING TRANSACTIONS	6,071,788	2,182,498
CHANGE IN CASH AND CASH EQUIVALENTS	(1,035,798)	2,732,293
OPENING CASH AND CASH EQUIVALENTS	10,357,109	7,624,816
CLOSING CASH AND CASH EQUIVALENTS	9,321,311	10,357,109
REPRESENTED BY:		
Cash and cash equivalents	9,321,311	10,357,109

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED AUGUST 31, 2011**

	2011 \$	Restated 2010 \$
ANNUAL SURPLUS/(DEFICIT)	(3,176,788)	32,929,646
TANGIBLE CAPITAL ASSET ACTIVITY		
Acquisition of tangible capital assets	(15,542,194)	(7,928,214)
Amortization of tangible capital assets	4,816,719	4,896,990
Gain/loss on sale of tangible capital assets	-	22,723
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	(10,725,475)	(3,008,501)
OTHER NON-FINANCIAL ASSET ACTIVITY		
Use of prepaid expenses	(129,986)	561,415
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	(129,986)	561,415
(Increase) decrease in net debt	(14,032,249)	30,482,560
Net debt at beginning of year	(111,793,833)	(142,276,393)
NET DEBT AT END OF YEAR	(125,826,082)	(111,793,833)

The accompanying notes form an integral part of these financial statements

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

(a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses 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 and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities include -

Tri-Board Student Transportation Services Inc. - Note 16
School Generated Funds

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

(b) 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.

(c) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Ontario Regulation 196/10 which requires school boards to comply with all regulations, policies, guidelines, directives and similar instruments. In 2004, directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". The Ontario Ministry of Education provided direction on the adoption of this new standard in memorandum 2011:B0. The Ontario Ministry of Education required the implementation of this Government Transfers standard on a retroactive basis as described in Note 2 to the financial statements.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(c) Basis of Accounting - (Cont'd)

The Ministry direction requires school boards to record a liability (deferred capital contribution) equal to the amount of the net book value of the depreciable assets at September 1, 2010 that have been Ministry approved. This direction, therefore, results in property tax revenue which was used to acquire or construct depreciable capital assets prior to 1998 when school boards ceased to have taxing authority, being afforded the same treatment as government capital grants, which is to recognize related revenue over the remaining useful life of the asset as disclosed in Note 2. Under the Public Sector Accounting Standards property tax revenue should be recorded as revenue when received or receivable in accordance with Public Sector Accounting Standard PS 3510 "Tax Revenue".

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

(d) Cash and Cash Equivalents

Cash and cash equivalents is comprised of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

(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
FOR THE YEAR ENDED AUGUST 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(f) 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, retirement gratuity, worker's compensation and long-term disability benefits. 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 costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and life insurance and 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. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, 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
FOR THE YEAR ENDED AUGUST 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(g) Tangible Capital Assets

Tangible capital assets are recorded at historical cost and accumulated amortization. Historical cost includes amount 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 are not available, other methods were used to estimate the costs and accumulated amortization.

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

Asset	Estimated Useful Life
Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Equipment	5 to 15 years
Furniture	10 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction are not amortized until the asset is available for productive use.

(h) 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.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(i) Investment Income

Investment income is reported as revenue in the period earned.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

1. SIGNIFICANT ACCOUNTING POLICIES - (Cont'd)

(j) 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. Given differences between the funding model and Canadian generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

(k) Use of Estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles 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. Actual results could differ from these estimates.

(l) 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 15 to these consolidated financial statements.

2. CHANGE IN ACCOUNTING POLICY

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook Section 3410 Government Transfers as described in Note 1(a). This change has been applied retroactively and prior periods have been restated. Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

At the direction of the Ministry, the Board has calculated the opening DCC balance as at September 1, 2010, as the value of the depreciable tangible capital assets less the unsupported capital debt, both at August 31, 2010. The unsupported capital debt is the portion of the Board's outstanding debt that is not supported by Ministry funding. This calculation provides a cost effective solution to determine the opening balance, allowing for the standard to be implemented retroactively. Retroactive implementation results in a set of financial statements that is relevant, understandable to the user, and comparable over periods and amongst school boards in Ontario.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

2. CHANGE IN ACCOUNTING POLICY - (Cont'd)

This change in accounting policy has changed amounts reported in the prior period as follows:

ACCUMULATED DEFICIT AT AUGUST 31, 2010:

	\$
Accumulated surplus, as previously reported	55,430,943
Transfer to deferred capital contributions	(79,491,495)
<hr/>	
ACCUMULATED DEFICIT AS RESTATED	(24,060,552)

ANNUAL SURPLUS FOR THE YEAR ENDED AUGUST 31, 2010:

	\$
Change in net assets/(liabilities), as previously reported	36,248,323
Plus: Amounts recognized in revenue	4,609,537
Less: In-year Provincial capital contributions	(7,928,214)
<hr/>	
ANNUAL SURPLUS, AS RESTATED:	32,929,646

The impact for the year ended August 31, 2011, is as follows:

ANNUAL DEFICIT FOR THE YEAR ENDED AUGUST 31, 2011:

	\$	\$
Change in net assets/(liabilities), as per prior year policy		7,817,317
Less: In-year Provincial capital contributions	(15,542,194)	
Plus: Amounts recognized in revenue	<u>4,548,089</u>	
Subtotal		(10,994,105)
<hr/>		
ANNUAL DEFICIT AS REPORTED		(3,176,788)

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 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 \$44,183,340 as at August 31, 2011, with respect to capital grants.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

	2011				2010 Total Employee Future Benefits \$
	Retirement Benefits \$	Sick Leave \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$	
Accrued:					
Accrued Employee Future Benefit Obligations at August 31	24,914,991	10,556,897	1,434,511	36,906,399	33,614,164
Unamortized Actuarial Gains (Losses)	(905,492)	(1,554,063)	21,639	(2,437,916)	(728,870)
Employee Future Benefits Liability at August 31	24,009,499	9,002,834	1,456,150	34,468,483	32,885,294
	2011				2010 Total Employee Future Benefits \$
	Retirement Benefits \$	Sick Leave \$	Other Employee Future Benefits \$	Total Employee Future Benefits \$	
Expensed in year:					
Current Year Benefit Cost	1,722,743	372,439	211,346	2,306,528	2,208,077
Interest on Accrued Benefit Obligation	1,012,489	448,840	9,164	1,470,493	1,429,819
Recognition of Unamortized Actuarial Losses (Gains) Due to Change in Actuarial Assumptions	(75,443)	111,647	(10,513)	25,691	25,691
Employee Future Benefits Expense	2,659,789	932,926	209,997	3,802,712	3,663,587

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS - (Cont'd)

Retirement Benefits

(i) Sick Leave Credit Payments

The Board provides sick leave credit payments to employees who qualify. The amount paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. 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.

(ii) Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of 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 consolidated financial statements.

(iii) 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, 2011, the Board contributed \$1,906,373 (2010 - \$1,700,229) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No liability for this type of plan is included in the Board's consolidated financial statements.

Sick Leave

The Board allows sick leave to employees who qualify. The Board does not fund these obligations in advance of payments made. The benefit costs and liabilities related to this plan as determined by an actuary are included in the Board's financial statements.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS - (Cont'd)

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 financial statements.

(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. 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) Retirement Life Insurance and Health Care Benefits

The Board provides life insurance, dental and health care benefits to employees who qualify after retirement until the members reach 65 years of age. 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 financial statements.

The accrued benefit obligations for employee future benefit plans as at August 31, 2011 are based on actuarial valuations for accounting purposes as at August 31, 2009 which have been updated for August 31, 2011. 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:

	2011 %	2010 %
Inflation	2.0	2.0
Wage and salary escalation	3.0	3.0
Health care cost escalation	10.0	10.5
Dental cost escalation	6.0	6.5

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

5. NET LONG TERM DEBT - CAPITAL LOANS

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

	2011 \$	2010 \$
6.09% Loan, repayable in blended monthly instalments of \$33,949 to January 2012	1,875,637	2,159,353
6.45% Loan, repayable in blended monthly instalments of \$13,025 to April 2012	740,258	845,117
4.40% Loan, repayable in blended monthly instalments of \$23,726 to February 2017	1,369,940	1,589,112
4.56% Loan, repayable in blended semi-annual instalments of \$438,422 to November 2031	11,598,808	11,935,199
4.90% Loan, repayable in blended semi-annual instalments of \$379,275 to March 2033	10,091,061	10,345,752
5.062% Loan, repayable in blended semi-annual instalments of \$244,898 to March 2034	6,584,289	6,735,041
5.232% Loan, repayable in blended semi-annual instalments of \$223,609 to April 2035	6,061,258	6,186,419
4.833% Loan, repayable in blended semi-annual instalments of \$21,787 to March 2036	626,024	-
	38,947,275	39,795,993

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

5. NET LONG TERM DEBT - CAPITAL LOANS - (Cont'd)

Principal and interest payments relating to net long-term debt outstanding as at August 31, 2011 are due as follows:

	PRINCIPAL \$	INTEREST \$	TOTAL \$
2011/2012	1,565,307	1,899,079	3,464,386
2012/2013	1,647,159	1,817,226	3,464,385
2013/2014	1,733,373	1,731,012	3,464,385
2014/2015	1,824,187	1,640,198	3,464,385
2015/2016	1,919,946	1,544,439	3,464,385
Thereafter	30,257,303	14,514,171	44,771,474
NET LONG-TERM DEBT	38,947,275	23,146,125	62,093,400

Interest on long-term debt amounted to \$1,949,517 (2010 - \$1,800,144)

6. TEMPORARY BORROWING

	2011 \$	Restated 2010 \$
Banker Acceptance financing agreements with no interest and maturity dates ranging from September 8, 2011 - September 29, 2011	7,749,417	786,710
Board's share of bank overdraft reported on the Tri-Board Student Transportation Services Inc. financial statements	-	42,202
	7,749,417	828,912

At the year-end, the Board has six outstanding Banker Acceptance agreements, which provide short-term financing to partially pay for capital expenditures for certain schools and for additions/renovations relating to the Energy Efficient, Geothermal and School Renewal projects.

The prior year's outstanding Banker Acceptance agreement, along with additional Banker Acceptance agreements received up to March 2011, were long-term financed on March 11, 2011.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

7. EXPENSES BY OBJECT

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

	Restated & Unaudited		Restated
	2011 Budget \$	2011 Actual \$	2010 Actual \$
Expenses:			
Salary and wages	127,550,464	131,045,998	127,243,912
Employee benefits	17,780,563	19,684,558	18,731,885
Staff development	664,701	670,066	843,752
Supplies and services	17,569,952	12,324,197	16,222,745
Interest	1,933,655	1,995,325	1,850,168
Rental expense	378,546	282,429	354,378
Fees and contract services	14,586,785	15,540,908	15,283,401
Other	575,720	139,825	162,487
Amortization of tangible capital assets	4,856,698	4,816,719	4,919,713
School funded activities	5,000,000	4,915,389	4,724,008
	190,897,084	191,415,414	190,336,449

8. TANGIBLE CAPITAL ASSETS

	Cost (in 000's)				Accumulated Amortization (in 000's)				Net Book Value \$
	Opening \$	Additions \$	Disposals \$	Closing \$	Opening \$	Additions \$	Disposals \$	Closing \$	
Land	174	-	-	174	-	-	-	-	174
Land improve- ments	1,053	65	-	1,118	234	75	-	309	809
Buildings	126,708	13,922	-	140,630	47,457	3,161	-	50,618	90,012
Furniture	171	40	14	197	95	18	14	99	98
Equipment	1,298	465	69	1,694	479	154	69	564	1,130
Computer hardware	6,671	736	1,760	5,647	3,721	1,232	1,760	3,193	2,454
Computer software	521	266	25	762	116	137	25	228	534
Vehicles	287	49	33	303	154	40	33	161	142
Total	136,883	15,543	1,901	150,525	52,256	4,817	1,901	55,172	95,353

Assets Under Construction

Included above are assets under construction having a value of \$14,238,899 which have not been amortized. Amortization of these assets will commence when the asset is put into service.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

9. DEFERRED CAPITAL CONTRIBUTIONS

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. The Ministry provided direction to the school boards in the establishment of the opening balance of the deferred capital contributions as disclosed in Note 2.

	2011	Restated 2010
	\$	\$
Balance as at August 31, 2010	79,491,495	77,905,533
Additions to deferred capital contributions	15,542,195	6,195,499
Revenue recognized in the period	(4,548,090)	(4,609,537)
Recognition of deferred revenue to prior eligible capital expenses	367,952	-
Balance as at August 31, 2011	90,853,552	79,491,495

10. ACCUMULATED DEFICIT

	2011	Restated 2010
	\$	\$
Accumulated deficit consists of the following:		
Unrestricted:		
Operating accumulated surplus (deficit)	(3,117,220)	1,671,974
Restricted for future use:		
Workplace Safety and Insurance Board	612,900	606,686
Future Benefits	2,312,762	2,289,313
Future Capital	2,477,093	2,451,978
Other items affecting accumulated surplus:		
Invested in tangible capital assets	95,352,236	84,626,761
Deferred Capital Contributions	(90,853,551)	(79,491,495)
Amounts to be recovered (net long-term debt, employee future benefits, vacation and interest)	(74,770,956)	(73,852,273)
Debt not permanently financed	(5,596,575)	(626,024)
School Generated Funds	2,162,631	2,324,092
Receivable from Province of Ontario - Approved Capital	44,183,340	35,938,436
Total Deficit	(27,237,340)	(24,060,552)

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

11. TRUST FUNDS

Trust funds administered by the School Board amounting to \$1,841,120 (2010 - \$1,376,492) have not been included in the consolidated statement of financial position, nor have their operations been included in the consolidated statement of operations.

12. 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 one-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 rata share of claims experience. The current one-year term expires January 1, 2012.

13. CONTINGENT LIABILITIES

Legal Matters

There are three claims with respect to incidents in the amounts of \$2,800,000, \$4,000,000 and \$3,850,000. The Board believes that any settlement of these matters would be the responsibility of the Board's insurers, with the exception of \$2,000,000, for which the insurer denies responsibility.

No provision for a loss has been provided in these financial statements.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

14. BUDGET DATA

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on June 21, 2010. The budget was in prepared in June 2010, prior to the release of the Government Transfers standard, which was released in March 2011. As a result, there are some changes in how the DCC taken in to income is calculated for the Financial Statements, versus for the budget. This includes the treatment of sinking fund interest and other components. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As boards only budget the Statement of Operations, the budget figures in the Consolidated Statement of Net Debt have not been provided.

**Consolidated Statement of Operations (Unaudited)
For the year ended August 31**

	2010-11 Budget \$	Change \$	2010-11 Budget \$
REVENUES			
Total Revenues as in the 2010-11 Budget	193,995,362	3,635,193	197,630,555
Add/Deduct: Adjustment due to adoption of government transfer standard (see Note 2)	-	(8,758,869)	(8,758,869)
Total Revenue	193,995,362	(5,123,676)	188,871,686
Total Expenses	190,897,084	-	190,897,084
Annual Surplus (Deficit)	3,098,278	(5,123,676)	(2,025,398)
Accumulated Surplus at beginning of year	55,430,943	(79,491,495)	(24,060,552)
Accumulated Surplus at end of year	58,529,221	(84,615,171)	(26,085,950)

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

15. RELATED PARTY

The Hastings and Prince Edward Learning Foundation

	2011	2010
	\$	\$
Fund balance		
Balance - Beginning of year	513,230	338,731
Excess of Revenue over Expenses	91,189	174,499
Balance - End of year	604,419	513,230

During the year, the Foundation reported:

	2011	2010
	\$	\$
Revenues	1,344,077	1,151,889
Expenses	1,252,888	977,390
Excess of Revenue over Expenses	91,189	174,499

16. PARTNERSHIP IN TRI-BOARD TRANSPORTATION SERVICES INC.

Transportation Consortium

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 proportionately 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.

**HASTINGS AND PRINCE EDWARD DISTRICT SCHOOL BOARD
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2011**

16. PARTNERSHIP IN TRI-BOARD TRANSPORTATION SERVICES INC. - (Cont'd)

The following provides condensed financial information:

	2011		2010	
	Total \$	Board Portion \$	Total \$	Board Portion \$
Financial Position:				
Financial Assets	551,776	183,926	443,009	147,670
Financial Liabilities	1,020,939	340,313	885,211	295,070
Non-Financial Assets	469,163	156,387	442,202	147,400
Accumulated Surplus (Deficit)	-	-	-	-
Operations:				
Revenues	37,968,238	12,656,079	37,458,234	12,486,078
Expenses	37,968,238	12,656,079	37,458,234	12,486,078
Annual Surplus/ (Deficit)	-	-	-	-

17. FINANCIAL INSTRUMENTS

It is the Board's opinion that they are not exposed to significant credit, currency risk or interest rate risk.

Fair Value of Current Assets and Liabilities

The fair value of cash, accounts receivable, temporary borrowings and accounts payable and accrued liabilities approximates the carrying value due to their immediate or short-term maturity.

Fair Value of Long-Term Liabilities

The fair value of the net long-term liabilities and employee future benefits payable value are considered to approximate their carrying value due to the following:

- (i) The net long-term liabilities interest rates are similar to present rates.
- (ii) The employee future benefit payable is based on the actuarial report completed as at August 31, 2009, which is updated annually.