

Consolidated Financial Statements of

**HAMILTON-WENTWORTH DISTRICT  
SCHOOL BOARD**

Year ended August 31, 2011

## **MANAGEMENT REPORT**

### **Management's Responsibility for the Consolidated Financial Statements**

The accompanying consolidated financial statements of the Hamilton-Wentworth District School Board are the responsibility of the Board management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles as disclosed in Note 1 to the financial statements.

A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of 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 financial statements. These systems are monitored and evaluated by management.

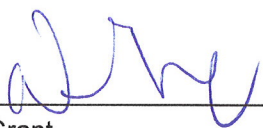
The Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG 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.



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John Malloy  
Director of Education & Secretary



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Don Grant  
Superintendent of Business & Treasurer

December 12, 2011



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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Hamilton-Wentworth District School Board:

We have audited the accompanying consolidated financial statements of the Hamilton-Wentworth District School Board, which comprise the consolidated statement of financial position as at August 31, 2011, the consolidated statements of operations, consolidated change in net debt and consolidated cash flows for the year then ended, and notes, comprising 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

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



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Hamilton-Wentworth District School Board at as August 31, 2011, and its consolidated results of operations and its consolidated change in net debt and its consolidated cash flows 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 statements which describes the basis of accounting. The consolidated financial statements are prepared to assist the Hamilton-Wentworth 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.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

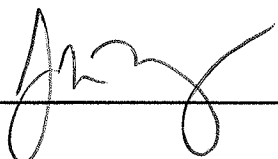
December 12, 2011  
Hamilton, Canada

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT AUGUST 31, 2011**

	2010-11	2009-10 (Restated)
	(\$000's)	(\$000's)
<b>FINANCIAL ASSETS</b>		
Cash and Cash Equivalents	990	31,063
Accounts Receivable (note 4)	171,980	140,159
Investments (note 3)	1,000	1,000
<b>TOTAL FINANCIAL ASSETS</b>	<b>173,970</b>	<b>172,222</b>
<b>FINANCIAL LIABILITIES</b>		
Temporary Borrowing	-	11,400
Accounts Payable and Accrued Liabilities	31,455	30,363
Net Debenture Debt, Capital Loans and Leases (note 8)	97,332	90,052
Deferred Revenue (note 5)	14,427	18,170
Employee Benefits Payable (note 7)	101,134	97,008
Deferred Capital Contributions (note 6)	458,878	433,796
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>703,226</b>	<b>680,789</b>
<b>NET DEBT</b>	<b>(529,256)</b>	<b>(508,567)</b>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid Expenses	692	855
Tangible Capital Assets (note 11)	486,967	458,727
<b>TOTAL NON-FINANCIAL ASSETS</b>	<b>487,659</b>	<b>459,582</b>
<b>ACCUMULATED SURPLUS / (DEFICIT) (note 12)</b>	<b>(41,597)</b>	<b>(48,985)</b>

On behalf of the Board

  
\_\_\_\_\_  
Chair

  
\_\_\_\_\_  
Director of Education & Secretary

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED AUGUST 31, 2011**

	<b>2010-11 Budget (Restated &amp; Unaudited) (\$000's)</b>	<b>2010-11 Actual (\$000's)</b>	<b>2009-10 Actual (Restated) (\$000's)</b>
<b>REVENUES</b>			
Provincial Grants - Grants for Student Needs	359,795	356,308	340,777
Provincial Grants - Other	8,428	13,890	13,043
Local Taxation	122,116	127,540	125,621
School Generated Funds	12,192	12,726	12,414
Federal Grants and Fees	-	928	996
Investment Income	150	406	177
Other Fees and Revenues	1,636	10,978	3,027
Recognition of Deferred Capital Contributions	18,895	22,131	20,672
<b>TOTAL REVENUES</b>	<b>523,212</b>	<b>544,907</b>	<b>516,727</b>
<b>EXPENDITURES</b>			
Instruction	415,600	418,618	399,773
Administration	12,978	14,020	13,299
Transportation	13,948	13,780	13,512
Pupil Accommodation	72,842	75,987	71,131
School Generated Funds	12,192	12,838	12,451
Other	2,242	2,276	1,996
<b>TOTAL EXPENSES</b>	<b>529,802</b>	<b>537,519</b>	<b>512,162</b>
<b>ANNUAL SURPLUS / (DEFICIT) (note 2)</b>	<b>(6,590)</b>	<b>7,388</b>	<b>4,565</b>
Accumulated Surplus / (Deficit) at Beginning of Year	(48,986)	(48,985)	(53,550)
<b>ACCUMULATED SURPLUS / (DEFICIT) AT END OF YEAR</b>	<b>(55,576)</b>	<b>(41,597)</b>	<b>(48,985)</b>

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED AUGUST 31, 2011**

	<b>2010-11</b>	<b>2009-10</b>
	<b>(\$000's)</b>	<b>(Restated) (\$000's)</b>
<b>OPERATING TRANSACTIONS</b>		
Annual Surplus	7,388	4,565
Sources and (Uses):		
Non-cash items including amortization, write-downs and gain / loss on disposal of TCA	22,230	20,672
Decrease (Increase) in Accounts Receivable	(31,822)	(119,834)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	1,092	(438)
Increase (Decrease) in Deferred Revenue	(5,767)	764
Increase (Decrease) in Employee Benefits Payable	4,125	2,612
Increase (Decrease) in Deferred Capital Contributions	25,083	109,077
Increase (Decrease) in Prepaid Expense	163	(369)
<b>CASH PROVIDED BY (APPLIED TO) OPERATING TRANSACTIONS</b>	<b>22,492</b>	<b>17,049</b>
<b>CAPITAL TRANSACTIONS</b>		
Proceeds on sale of tangible capital assets	2,065	1,928
Cash used to acquire capital tangible assets	(50,511)	(39,936)
<b>CASH PROVIDED BY (APPLIED TO) CAPITAL TRANSACTIONS</b>	<b>(48,446)</b>	<b>(38,008)</b>
<b>FINANCING TRANSACTIONS</b>		
Long Term Debt Issued	10,665	24,264
Increase (Decrease) in Temporary Borrowings	(11,400)	11,400
Debt Repaid	(3,384)	(3,444)
<b>CASH PROVIDED BY (APPLIED TO) FINANCING TRANSACTIONS</b>	<b>(4,119)</b>	<b>32,220</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(30,073)</b>	<b>11,261</b>
Opening Cash and Cash Equivalents	31,063	19,802
<b>CLOSING CASH AND CASH EQUIVALENTS</b>	<b>990</b>	<b>31,063</b>

**THE HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT  
FOR THE YEAR ENDED AUGUST 31, 2011**

	<b>2010-11 Actual</b>	<b>2009-10 Actual</b>
	<b>(\$000's)</b>	<b>(\$000's)</b>
<b>ANNUAL SURPLUS</b>	7,388	4,565
<b>TANGIBLE CAPITAL ASSET ACTIVITY</b>		
Acquisition of Tangible Capital Assets	(50,511)	(39,936)
Amortization of Tangible Capital Assets	22,131	20,672
Gain / Loss on Sale of Tangible Capital Assets	(5)	
Proceeds on Sale of Tangible Capital Assets	2,065	1,928
Less: Gains on Sale Allocated to Deferred Revenue	(2,024)	(1,903)
Write-Downs of Tangible Capital Assets	104	
<b>TOTAL TANGIBLE CAPITAL ASSET ACTIVITY</b>	<b>(28,240)</b>	<b>(19,239)</b>
<b>OTHER NON-FINANCIAL ASSET ACTIVITY</b>		
Acquisition of Prepaid Expenses	-	(369)
Use of Prepaid Expenses	163	-
<b>TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY</b>	<b>163</b>	<b>(369)</b>
<b>INCREASE IN NET DEBT</b>	<b>(20,689)</b>	<b>(15,043)</b>
Net Debt at Beginning of Year	(508,567)	(493,524)
<b>NET DEBT AT END OF YEAR</b>	<b>(529,256)</b>	<b>(508,567)</b>

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2011  
(Tabular amounts in thousands of dollars)**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Hamilton-Wentworth District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below.

**a) 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, a 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:B08. 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.

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".

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

**b) Reporting Entity**

The consolidated financial statements reflect the assets, liabilities, revenues and 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 -*

- Hamilton-Wentworth District School Board
- The Hamilton-Wentworth District School Board Foundation
- School Generated Funds

*Proportionately consolidated entities -*

- Hamilton-Wentworth Student Transportation Services

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

**(c) Trust Funds**

Trust funds for teacher funded leave under the "four over five plan" and of the Hamilton School Boards Energy Consortium are not included in the consolidated financial statements, as these funds are not controlled by the Board.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2011  
(Tabular amounts in thousands of dollars)**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Cash and Cash Equivalents**

Cash and cash equivalents comprise 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) Investments**

Temporary investments consist of marketable securities that are liquid short-term investments with maturities between three months and one year at the date of acquisition, and are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost and assessed regularly for permanent impairment.

**(f) Deferred Revenue**

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

**(g) 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.

**(h) Retirement and other Employee Future Benefits**

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, sick leave, and workers' compensation. 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 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. Employee future benefits that accumulate but do not vest, have not been accrued.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation, long term disability and life insurance & 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.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 AUGUST 31, 2011  
 (Tabular amounts in thousands of dollars)**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Tangible Capital Assets**

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

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as opening leases and the related payments are charged to expenses as incurred.

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

<b>Asset</b>	<b>Estimated Useful Life in Years</b>
Land improvement with finite lives	15
Buildings and building improvements	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10
Leasehold improvements	Over the lease term

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

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

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

**(j) Government Transfers**

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

**(k) Investment Income**

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2011  
(Tabular amounts in thousands of dollars)**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(l) Budget Figures**

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and basis of accounting used by the school board in the preparation of the financial statements, the budget figures presented have been adjusted to confirm with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

**(m) Use of Estimates**

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) 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 assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these estimates.

**2. CHANGE IN ACCOUNTING POLICIES**

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.

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

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<b>Accumulated surplus at August 31, 2009:</b>	
Accumulated surplus, as previously reported	\$ 275,043
Transfer to deferred capital contributions	(324,742)
Adjustment to deferred revenue for disposed assets	(3,851)
Accumulated surplus / (deficit), as restated	<u>\$ (53,550)</u>
<b>Annual surplus for the year ended August 31, 2010:</b>	
Annual surplus, as previously reported	\$ 102,783
Plus: Amounts recognized in revenue	20,672
Plus: Ministry adjustment to one-time capital support grant	10,860
Less: In-year Provincial capital contributions	(129,726)
Less: adjustment to deferred revenue for disposed assets	(24)
Annual surplus as restated	<u>\$ 4,565</u>
<b>Annual surplus for the year ended, August 31, 2011:</b>	
Annual surplus as per prior period policy	\$ 32,480
Plus: Amounts recognized in revenue	22,185
Less: In-year Provincial capital contributions	(47,277)
Annual surplus as currently reported	<u>\$ 7,388</u>

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2011  
(Tabular amounts in thousands of dollars)**

**3. INVESTMENTS**

Investments consist of marketable securities comprised as follows:

	2011		2010	
	Cost	Market Value	Cost	Market Value
Guaranteed Investment Certificates:				
Desjardins Credit Union	\$ 1,000	\$1,000	\$ 1,000	\$ 1,000

These investments are assessed regularly for impairment and are written down if a permanent impairment exists.

**4. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO**

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Hamilton Wentworth District School Board received a one-time grant that recognizes capital debt as of August 31, 2011 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 \$149,693,000 (2010 - \$117,671,000) as at August 31, 2011 with respect to this capital grant.

**5. DEFERRED REVENUE**

Revenues received and 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, 2011 is comprised of:

	Balance as at August 31, 2010	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers (to) deferred capital contributions	Balance as at August 31, 2011
Special education	\$ -	\$54,863	\$(54,863)	\$ -	\$ -
Proceeds of disposition	14,767	2,257	(7,489)	(1,077)	8,458
School renewal	-	7,650	(2,254)	(4,714)	682
Energy efficient schools/renewable energy	849	6,615	-	(4,205)	3,259
Other	2,554	24,901	(23,786)	(1,641)	2,028
<b>Total Deferred Revenue</b>	<b>\$18,170</b>	<b>\$96,286</b>	<b>\$(88,392)</b>	<b>\$(11,637)</b>	<b>\$14,427</b>

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2011  
(Tabular amounts in thousands of dollars)**

**6. 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	2010
Balance at beginning of year	\$ 433,796	\$ 324,742
Additions to DCC	35,640	117,672
Transfers from deferred revenue	11,637	12,054
Disposals/Transfers to Financial Assets	(10)	-
Revenue recognized in period	(22,185)	(20,672)
Balance at end of year	\$ 458,878	\$ 433,796

**7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS**

**Retirement and Other  
Employee Future Benefit  
Liabilities**

			2011	2010
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued Benefit Obligations – Opening Balance	\$ 56,835	\$ 40,173	\$ 97,008	\$ 94,396
Current Year Benefit Expense	3,631	3,560	7,191	6,242
Unamortized (Gain)Loss	(59)	318	259	254
Current Year Benefit Cost	3,572	3,878	7,450	6,496
Interest on Accrued Benefit Obligation	2,510	1,704	4,214	4,095
Employee-Future Benefits Expenses <sup>1</sup>	6,082	5,582	11,664	10,591
Benefits Payment	(3,900)	(3,638)	(7,538)	(7,979)
Accrued Benefit Obligation – Closing Balance	\$ 59,017	\$ 42,117	\$ 101,134	\$ 97,008

<sup>1</sup> Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

**HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AUGUST 31, 2011  
(Tabular amounts in thousands of dollars)**

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**7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued):**

**Pension Plans:**

**(i) 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 the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated 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. Employee contribution rates are at levels up to 9.8% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2011, the Board contributed \$ 4,674,000 (2010 - \$3,971,000) 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 consolidated financial statements.

**Employee Future Benefits:**

**(i) Retirement Gratuities**

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities 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) Retirement Life Insurance and Health Care Benefits**

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age; the retired members are required to pay 100% of the costs. 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.

**(iii) Workplace Safety and Insurance Board Plan Obligations**

The Board is a Schedule 2 employer under the *Ontario 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.

**(iv) 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 and the employees are required to pay 100% of the premium costs.. The Board provides these benefits through an unfunded defined benefit plan. The benefits costs and liabilities related to this plan are included in the Board's consolidated financial statements.

**Assumptions**

The accrued benefit obligations for long-term disability life insurance and health care benefit plans as at August 31, 2011 are based on actuarial valuations for accounting purposes as at August 31, 2008. 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:

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**7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued):**

	2011	
Inflation	2.0%	
Wage and salary escalation	3.0%	
Health care cost escalation	10.00%	reducing by .5% per year to 4.0%
Dental cost escalation	6.00%	reducing by .5% per year to 3.0%
Discount on accrued benefit obligations	4.0%	

**(v) Sick Leave Benefit**

The Board allocates a certain number of days each year to be used as paid absences due to illness or injury. Employees are allowed to accumulate their unused allocation each year, up to the allowable maximum provided in their collective agreements. The sick day credits are paid out at the salary in effect at the time of usage. The accumulated amount of sick days ceases on termination of employment; the amount of sick days banked are then used in the determination of a retirement gratuity if the employee leaves the Board due to retirement.

**8. NET LONG-TERM DEBT**

The net long-term liabilities reported on the Consolidated Statement of Financial Position of \$97,332,000 consists of debentures of \$10,666,000 (2010 - \$12,228,000) and loans of \$86,666,000 (2010 - \$77,824,000). The debentures have a retractable feature, exercisable on specific dates only, at the option of the debenture holders. Details of the net long-term debt are as follows:

	2011	2010
Serial Debenture, due July 19, 2016	\$ 3,995	\$ 4,654
Serial Debenture, due October 25, 2011	6,671	7,574
Ontario Financing Authority Loan due Nov 15, 2031, 4.56%	10,187	10,483
Ontario Financing Authority Loan due Mar 3, 2033, 4.90%	30,923	31,703
Ontario Financing Authority Loan due Mar 13, 2034, 5.062%	11,119	11,374
Ontario Financing Authority Loan due Apr 13, 2035, 5.232%	23,773	24,264
Ontario Financing Authority Loan due March 11, 2036, 4.833%	10,664	-
	<b>\$ 97,332</b>	<b>\$ 90,052</b>

The principal and interest payments required in each of the next five fiscal years and thereafter in respect of the outstanding net long-term debt are as follows:

	Principal	Interest	Total
2012	\$ 9,515	\$ 4,742	\$ 14,257
2013	2,997	4,389	7,386
2014	3,158	4,227	7,385
2015	3,328	4,055	7,383
2016	3,507	3,874	7,381
Thereafter	74,827	38,766	113,593
<b>Total</b>	<b>\$97,332</b>	<b>\$60,053</b>	<b>\$157,385</b>

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**9. DEBT CHARGES**

The expenditure for debt charges and capital loans includes principal and interest payments made on debentures and interest on capital fund as follows:

	<b>2011</b>	<b>2010</b>
Principal payments on debentures	\$ 3,384	\$ 3,444
Interest payments on debentures	4,682	3,662
Interest payment on temporary financing of capital projects	-	53
<b>Total</b>	<b>\$ 8,066</b>	<b>\$ 7,159</b>

**10. EXPENDITURES BY OBJECT**

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

<b>Current Expenditures:</b>	<b>2011 Budget (Unaudited)</b>	<b>2011 Actual</b>	<b>2010 Actual</b>
Salary and wages	\$ 369,566	\$ 376,868	\$ 357,397
Employee benefits	56,154	57,263	55,347
Staff development	3,803	1,865	2,405
Supplies and services	41,085	36,917	37,124
Interest charges on capital	5,564	4,784	3,983
Rental expenditures	225	1,318	1,273
Fees & contractual services	19,780	21,606	19,312
Other	2,538	1,824	2,197
Amortization of tangible capital assets	18,895	22,236	20,672
School Funded Activities	12,192	12,838	12,452
<b>Total</b>	<b>\$ 529,802</b>	<b>\$ 537,519</b>	<b>\$ 512,162</b>

**11. TANGIBLE CAPITAL ASSETS**

**(a) Assets under construction**

Assets under construction having a value of \$23,229,000 (2010 - \$ 4,327,000) have not been amortized. Amortization of these assets will commence when the asset is put into service.

**(b) Write-down of Tangible Capital Assets**

There were no write-downs of tangible capital assets during the year.

**(c) Asset inventories for resale (Assets permanently removed from service)**

There were no assets inventoried for resale or assets permanently removed from service during the year.

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**11. TANGIBLE CAPITAL ASSETS (continued):**

**Year ended August 31, 2011**

	Cost (in 000's)				Accumulated Amortization (in 000's)				Net book value August 31, 2011	Net book value August 31, 2010
	Balance at August 31, 2010	Additions, transfers and adjustments	Disposals and Write offs	Balance at August 31, 2011	Balance at August 31, 2010	Amortization and adjustments	Disposals and write offs	Balance at August 31, 2011		
Land	\$ 23,856	\$ 176	\$ (25)	\$ 24,007	\$ -	\$ -	\$ -	\$ -	\$ 24,007	\$ 23,856
Land improvements	2,225	404	-	2,629	233	164	-	397	2,232	1,992
Buildings	635,354	28,699	-	664,053	223,263	18,312	-	241,575	422,478	412,091
Portable structures	12,084	337	(1,679)	10,742	7,774	669	(1,679)	6,764	3,978	4,310
Furniture and Equipment	6,688	892	(386)	7,194	2,939	676	(385)	3,230	3,964	3,749
Computer Hardware and Software	12,868	932	(2,700)	11,100	6,175	2,062	(2,700)	5,537	5,563	6,693
Vehicles	839	110	(19)	930	185	167	(9)	343	587	654
Construction in progress	4,372	18,961	(104)	23,229	-	-	-	-	23,229	4,372
Leasehold Improvements	1,170	-	-	1,170	160	81	-	241	929	1,010
	\$ 699,456	\$ 50,511	\$ (4,913)	\$ 745,054	\$ 240,729	\$ 22,131	\$ (4,773)	\$ 258,087	\$ 486,967	\$ 458,727

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**12. ACCUMULATED SURPLUS**

	2011	2010
Unappropriated	\$ 5,347	\$3,201
Amounts restricted for future use of the board		
Working Capital Reserve	17,255	15,965
School Renewal Grant	7,306	7,306
Amounts to be recovered		
Employee future benefits	(94,527)	(91,120)
Interest Accrual	(1,676)	(1,575)
Vacation Accrual	(592)	(524)
Other		
School generated funds	3,991	4,103
Revenues recognized for land	21,299	13,659
<b>Balance at August 31, 2011</b>	<b>\$(41,597)</b>	<b>\$ (48,985)</b>

**13. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)**

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures the Board for general public liability, property damage and vehicles. The membership period is for five years, ending December 31, 2011.

**14. SALARY NEGOTIATIONS**

All salary and wage agreements were settled as at August 31, 2011.

**15. CONTINGENT LIABILITIES**

The Board has been named in personal injury and property damage claims. The amounts specified in the claims are within the Board's insurance coverage. The Board, as well as its insurers, has instructed legal counsel to act on behalf of the Board to defend against these claims. No provision has been made in the financial statements for these claims.

**16. COMMITMENTS**

The Board has outstanding contractual obligations at August 31, 2011 of approximately \$ 27,009,000 (2010 - \$29,394,000) for the construction of new schools and for other capital projects.

The Board has a long-term capital lease which expires in 2019. The minimum payments are as follows:

2012	\$ 159
2013	159
2014	159
2015	159
2016	159
Thereafter	463
<b>Total</b>	<b>\$ 1,258</b>

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**17. GOOD PLACES TO LEARN, PRIMARY CLASS SIZE, NEW PUPIL PLACES**

The Board has temporarily financed its expenditures relating to Good Places to Learn, Primary Class Size and New Pupil Places. These expenditures will be financed by a long-term financing vehicle through the Ontario Financing Authority in the 2011/2012 school year in the amount of \$ 20,879,000. In the interim, the Ministry will continue to fund short-term interest costs related to these expenditures.

**18. BUDGET DATA**

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on June 14, 2010. The budget was prepared 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 DDC taken in to income is calculated for the Financial Statements, versus for the budget. 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.

**19. PARTNERSHIP IN HAMILTON-WENTWORTH STUDENT TRANSPORTATION SERVICES, A TRANSPORTATION CONSORTIUM:**

On April 1, 2009, the Board entered into an agreement with the Hamilton-Wentworth Catholic District School Board 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, decisions related to the financial and operating activities of Hamilton-Wentworth Student Transportation Services are shared. No partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board's consolidated financial statements to reflect the Board's portion of costs incurred. Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

The Hamilton-Wentworth District School Board does not control any assets of the Hamilton-Wentworth Student Transportation Services. The Board has recorded its shares of revenue and expenses in the Consolidated Statement of Operations.

**20. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING**

On June 1, 2003, the Board received \$16,675,000 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to re-finance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

**21. COMPARATIVE FIGURES**

Comparative figures have been reclassified to conform with the financial statement presentation adopted in 2011.