Consolidated Financial Statements of

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD

Year ended August 31, 2013

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD

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 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.

A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The 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 Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Dr. John Malloy Director of Education & Secretary	Stacey Zucker Superintendent of Business & Treasurer

December 9, 2013

KPMG LLP
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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, 2013, the consolidated statements of operations, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation 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 our 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, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

KPMG Confidential

Opinion

In our opinion, the consolidated financial statements of the Hamilton-Wentworth District School Board as at August 31, 2013 and for the year then ended, are prepared, in all material respects, 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 used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

December 9, 2013
Hamilton, Canada

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2013 (with comparative information for 2012)

	2012-13 ($000's)	2011-12 ($000's)
FINANCIAL ASSETS		
Cash and Cash Equivalents	72,849	16,500
Accounts Receivable - Other	30,935	23,944
Accounts Receivable - Government of Ontario (note 4)	170,487	169,097
Investments (note 3)	1,000	1,000
TOTAL FINANCIAL ASSETS	275,271	210,541
FINANCIAL LIABILITIES		
Accounts Payable and Accrued Liabilities	32,223	37,554
Net Debenture Debt, Capital Loans and Leases (note 8)	161,836	119,959
Deferred Revenue (note 5)	35,387	25,090
Employee Benefits Payable (note 7)	78,955	58,556
Deferred Capital Contributions (note 6)	484,000	484,207
TOTAL FINANCIAL LIABILITIES	792,401	725,366
NET DEBT	**(517,130)**	**(514,825)**
NON-FINANCIAL ASSETS		
Prepaid Expenses	985	705
Tangible Capital Assets (note 11)	522,067	511,391
TOTAL NON-FINANCIAL ASSETS	**523,052**	**512,096**
ACCUMULATED SURPLUS (DEFICIT) (note 12)	**5,922**	**(2,729)**

On behalf of the Board

Jessica M. Brennan Chair

Director of Education & Secretary

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED AUGUST 31, 2013 (with comparative information for 2012)

	2012-13 Budget ($000's)	2012-13 Actual ($000's)	2011-12 Actual ($000's)
REVENUES			
Provincial Grants - Grants for Student Needs	486,454	492,085	498,005
Provincial Grants - Labour Enhancements (note 7)	-	25,778	-
Provincial Grants - Other	15,594	24,596	16,270
School Generated Funds	-	10,549	12,834
Federal Grants and Fees	-	-	973
Investment Income	200	479	232
Other Fees and Revenues	4,328	4,131	5,769
Amortization of Deferred Capital Contributions (note 6)	-	26,096	23,562
TOTAL REVENUES	506,576	583,714	557,645
EXPENDITURES			
Instruction	429,812	450,298	394,634
Administration	13,307	13,771	11,820
Transportation	13,536	13,866	14,171
Pupil Accommodation	49,395	84,155	75,893
School Generated Funds	-	10,616	12,626
Other	526	2,357	2,327
TOTAL EXPENSES (note 10)	506,576	575,063	511,471
ANNUAL SURPLUS (DEFICIT)	**-**	**8,651**	**46,174**
Accumulated Surplus (Deficit) at Beginning of Year		(2,729)	(48,903)
ACCUMULATED SURPLUS (DEFICIT) AT END OF YEAR		**5,922**	**(2,729)**

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED AUGUST 31, 2013 (with comparative information for 2012)

	2012-13 ($000's)	2011-12 ($000's)
OPERATING TRANSACTIONS		
Annual Surplus	8,651	46,174
Sources and (Uses):		
Non-cash items including Amortization, Write-downs and (Gain) Loss on Disposal of TCA and excluding Deferred Gain on Disposal of Restricted Assets	28,112	24,412
Amortization of Deferred Capital Contributions Revenue	(26,096)	(23,562)
Deferred Gain on Disposal of Restricted Assets	(4,455)	(9,559)
Increase in Accounts Receivable	(6,991)	(1,657)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(5,330)	6,099
Increase in Deferred Revenue - Operating	3,312	490
Increase (Decrease) in Employee Benefits Payable	20,399	(42,578)
Decrease in Prepaid Expense	(280)	(13)
CASH PROVIDED BY (APPLIED TO) OPERATING TRANSACTIONS	**17,322**	**(194)**
CAPITAL TRANSACTIONS		
Proceeds on Sale of Tangible Capital Assets	4,513	11,923
Cash used to Acquire Tangible Capital Assets	(38,846)	(50,164)
CASH PROVIDED BY (APPLIED TO) CAPTIAL TRANSACTIONS	**(34,333)**	**(38,241)**
FINANCING TRANSACTIONS		
Long Term Debt Issued	45,760	31,300
Debt Repayments	(3,883)	(8,673)
Increase in Accounts Receivable - Government of Ontario	(1,390)	(19,404)
Additions to Deferred Capital Contributions	25,889	47,855
Increase in Deferred Revenues - Capital	6,984	2,867
CASH PROVIDED BY (APPLIED TO) FINANCING TRANSACTIONS	**73,360**	**53,945**
CHANGE IN CASH AND CASH EQUIVALENTS	**56,349**	**15,510**
Opening Cash and Cash Equivalents	16,500	990
CLOSING CASH AND CASH EQUIVALENTS	**72,849**	**16,500**

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED AUGUST 31, 2013 (with comparative information for 2012)

	2012-13 ($000's)	2011-12 ($000's)
ANNUAL SURPLUS	8,651	46,174
TANGIBLE CAPITAL ASSET ACTIVITY		
Acquisition of Tangible Capital Assets	(38,846)	(50,164)
Amortization of Tangible Capital Assets	26,581	24,066
(Gain) Loss on Sale of Tangible Capital Assets	1,531	346
Proceeds on Sale of Tangible Capital Assets	4,513	11,923
Gain on Sale Allocated to Deferred Revenue	(4,455)	(9,559)
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	**(10,676)**	**(23,388)**
OTHER NON-FINANCIAL ASSET ACTIVITY		
Use of Prepaid Expenses	(280)	(13)
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	**(280)**	**(13)**
(INCREASE) DECREASE IN NET DEBT	**(2,305)**	**22,773**
Net Debt at Beginning of Year	(514,825)	(537,598)
NET DEBT AT END OF YEAR	**(517,130)**	**(514,825)**

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

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 the 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 the Canadian public sector accounting standards which require that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes, specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the statement of operations and certain related deferred revenues, and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 guaranteed investment certificates 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 and assessed regularly for permanent impairment.

Long-term investments consist of guaranteed investment certificates 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

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 contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(h) Retirement and other Employee Future Benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, 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. In prior years, the cost of retirement gratuities that vested or

(All amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and year of service based on August 31, 2012 information and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining 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 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. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized.

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 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.

(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 operating 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:

Asset	Estimated Useful Life in Years
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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

(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.

(l) Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) 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.

(All amounts in thousands of dollars)

2. ADOPTION OF NEW ACCOUNTING STANDARD

On September 1, 2012, the Board adopted Public Sector Accounting Standard PS3510 – Tax Revenue. The standard was adopted retrospectively. The new standard provides guidance on the entities that are able to record tax revenue on their financial statements.

Under PS3510, only the entity that determines and sets the tax levy will record tax revenue in their financial statements. All other entities who receive revenue from taxes as transfers from the original taxing authority (the Province of Ontario) will record these amounts as grants in their financial statements.

As a result of adopting PS3510, the Board now records the tax revenue received from Municipalities as part of Provincial Legislative grants. The municipal tax revenue received in 2013 was $127,064 (2012 - $127,507).

3. INVESTMENTS

Investments consist of guaranteed investment certificates recorded at cost and are comprised as follows:

	2013		2012	
	Cost	**Market Value**	**Cost**	**Market Value**
Guaranteed Investment Certificates:				
Meridian 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, 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 $170,487 (2012 - $169,097) as at August 31, 2013 with respect to this capital grant.

(All amounts in thousands of dollars)

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, 2013 is comprised of:

	Balance as at August 31, 2012	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers (to) deferred capital contributions	Balance as at August 31, 2013
Proceeds of disposition	$ 10,384	$ 5,031	$ -	$ (3,791)	$ 11,624
Special Education	-	58,863	(58,863)	-	-
School renewal	12,092	8,164	(1,000)	(2,922)	16,334
Retrofit for Child Care	-	1,513	-	-	1,513
Energy efficient schools/renewable energy	27	-	-	(9)	18
Other	2,587	36,854	(26,054)	(7,489)	5,898
Total Deferred Revenue	$ 25,090	$ 110,425	$ (85,917)	$(14,211)	$ 35,387

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2013	**2012**
Balance at beginning of year	$ 484,207	$ 459,914
Additions to Deferred Capital Contributions	13,209	28,691
Transfers from Deferred Revenue	14,211	21,650
Disposals/Transfers to Financial Assets	(1,531)	(2,486)
Revenue recognized in period	(26,096)	(23,562)
Balance at end of year	**$ 484,000**	**$ 484,207**

(All amounts in thousands of dollars)

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefit Liabilities			**2013**	**2012**
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued Benefit Obligation – Opening	$ 51,608	$ 6,948	$ 58,556	$ 101,134
Current Year Benefit Expense	-	250	250	7,022
Changes Due to Plan Amendment	23,687	333	24,020	-
Recognized Curtailment (Gain) Loss	-	-	-	(54,296)
Recognized Amortized Loss on Plan Curtailment	-	(5)	(5)	10,204
Interest on Accrued Benefit Obligation	2,183	181	2,364	4,216
Benefits Expenses[1]	25,870	759	26,629	(32,854)
Actuarial (Gain) Loss	(2,186)	1	(2,185)	-
Benefits Payment	(5,070)	(1,161)	(6,231)	(9,724)
	18,614	(401)	18,213	(42,578)
Accrued Benefit Obligation – Closing	70,222	6,547	76,769	58,556
Unamortized Actuarial Gain (Loss)	2,186	-	2,186	-
Accrued Benefit Liability – Ending	$72,408	$6,547	$78,955	$58,556

[1] Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Plan Changes

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. As a result employees eligible for a retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days were eliminated as of September 1, 2012, and were replaced with a new short term leave and disability plan. In 2013, further changes were made to the short term leave and disability plan. Under the new short term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2013, the Board contributed $6,485 (2012 - $5,730) 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 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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of $12,890 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

During 2013, the Ministry required school boards to change the eligibility requirements for retirement gratuities. Boards were required to change the number of years of service an employee should have prior to being eligible for the retirement gratuity from 20 years to 10 years, effective August 31, 2012. The actuarial valuation for this plan amendment was an increase to the liability for retirement gratuities at August 31, 2012 of $23,594. For employees with less than 10 years of service at August 31 2012, the Ministry authorized a one-time payout of their sick leave balance of $2,184. The Ministry provided matching grants to offset these labour enhancements.

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(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. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions.

(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. Plan changes made in 2012 requires school boards 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 previously negotiated collective agreement included such provision.

(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.

(v) Sick Leave Benefit

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated.

(vi) Sick Leave Top-Up Benefits

As a result of new changes made in 2013 to the short term sick leave and disability plan, a maximum of 11 unused sick leave 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 cost expensed in the financial statements are $510 (2012 - Nil).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2013. This actuarial valuation is based on assumptions about future events.

(All amounts in thousands of dollars)

7. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

Actuarial Assumptions

The accrued benefit obligations for long-term disability life insurance and health care benefit plans as at August 31, 2013 are based on actuarial valuations for accounting purposes as at August 31, 2013. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2013	2012
Inflation	2.0%	2.0%
Wage and Salary Escalation	0%	0%
Health Care Cost Escalation	8.75% decreasing by ¼% each year to 4.0%	9.0% decreasing by ¼% each year to 4.0%
Dental Cost Escalation	4.75% decreasing by ¼% each year to 3.0%	5.0% decreasing by ¼% each year to 3.0%
Discount on Accrued Benefit Obligations	3.4%	3.0%

8. NET LONG-TERM DEBT

The net long-term liabilities reported on the Consolidated Statement of Financial Position of $161,836 consists of debentures of $2,546 (2012 - $3,293) loans of $158,544 (2012 – $115,825) and Capital Lease $746 (2012 - $841). 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:

	2013	2012
Serial Debenture, due July 19, 2016	$ 2,546	$ 3,293
Ontario Financing Authority Loan due Nov 17, 2031, 4.56%	9,555	9,878
Ontario Financing Authority Loan due Mar 3, 2033, 4.90%	29,244	30,103
Ontario Financing Authority Loan due Mar 13, 2034, 5.062%	10,570	10,851
Ontario Financing Authority Loan due Apr 13, 2035, 5.232%	22,712	23,258
Ontario Financing Authority Loan due Mar 11, 2036, 4.833%	10,195	10,435
Ontario Financing Authority Loan due Nov 15, 2036, 3.970%	12,005	12,310
Ontario Financing Authority Loan due Mar 9, 2037, 3.564%	18,503	18,990
Ontario Financing Authority Loan due Mar 19, 2038, 3.799%	45,760	-
Capital Lease, matures June 1, 2019	746	841
	$161,836	$119,959

(All amounts in thousands of dollars)

8. NET LONG-TERM DEBT (continued)

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
2014	$ 5,273	$ 7,083	$ 12,356
2015	5,517	6,837	12,354
2016	5,774	6,579	12,353
2017	5,081	6,308	11,389
2018	5,302	6,087	11,389
Thereafter	134,889	59,037	193,926
Total	**$161,836**	**$91,931**	**$253,767**

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:

	2013	2012
Principal payments on debentures	$3,883	$ 9,515
Interest payment on debentures	5,878	5,097
Total	**$9,761**	**$14,612**

10. EXPENDITURES BY OBJECT

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

Current Expenditures:	2013 Budget	2013 Actual	2012 Actual
Salary and Wages	$384,277	$393,008	$ 392,609
Employee Benefits	59,565	76,560	12,960
Staff Development	3,006	1,626	1,951
Supplies and Services	33,796	34,855	36,674
Interest Charges on Capital	5,547	5,814	5,263
Rental Expenditures	1,295	2,180	2,644
Fees & Contractual Services	18,301	19,966	20,071
Other	789	2,316	2,259
Transfer to Other Boards	-	10	-
Amortization of Tangible Capital Assets	-	28,112	24,414
School Funded Activities	-	10,616	12,626
Total	**$506,576**	**$575,063**	**$ 511,471**

Employee benefits for 2013 include an increase due to plan amendment of $24,020; employee benefits for 2012 are net of the curtailment gain on the actuarial value of employee future benefits of $54,296.

11. TANGIBLE CAPITAL ASSETS

(a) Assets Under Construction

Assets under construction having a value of $ 8,913 (2012 - $ 539) 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. (2012 – Nil)

(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. (2012 – Nil)

(All amounts in thousands of dollars)

11. TANGIBLE CAPITAL ASSETS (continued):

Year ended August 31, 2013

	Cost (in 000's)				Accumulated Amortization (in 000's)					
	Balance at August 31, 2012	Additions, transfers and adjustments	Disposals and Write Offs	Balance at August 31, 2013	Balance at August 31, 2012	Amortization and adjustment	Disposals and Write Offs	Balance at August 31, 2013	Net Book Value August 31, 2013	Net Book Value August 31, 2012
Land	$ 24,453	$ 6,255	$ (58)	$ 30,650	$ -	$ -	$ -	$ -	$ 30,650	$ 24,453
Land Improvements	3,248	1,881	-	5,129	530	295	-	825	4,304	2,718
Buildings	723,191	17,352	(4,710)	735,833	257,319	21,335	(3,183)	275,471	460,362	465,872
Portable Structures	10,169	91	(561)	9,699	5,943	522	(561)	5,904	3,795	4,226
Furniture and Equipment	9,281	1,815	(162)	10,934	3,773	1,006	(162)	4,617	6,317	5,508
Computer Hardware and Software	12,408	3,057	(742)	14,723	7,103	2,573	(743)	8,933	5,790	5,305
Vehicles	1,033	-	(6)	1,027	530	190	(1)	719	308	503
Construction in Progress	539	8,374	-	8,913	-	-	-	-	8,913	539
Leasehold Improvements	2,662	20	-	2,682	395	659	-	1,054	1,628	2,267
	$786,984	$ 38,845	$(6,239)	$ 819,590	$ 275,593	$ 26,580	$ (4,650)	$297,523	$ 522,067	$ 511,391

(All amounts in thousands of dollars)

12. ACCUMULATED SURPLUS (DEFICIT)

	2013	**2012**
Unappropriated	$2,554	$2,180
Amounts Restricted for Future Use of the Board		
School Budgets	850	1,511
Computer Technology	3,484	329
Board Initiatives	1,747	1,236
Cafeteria Equipment Replacement	191	195
Amounts Restricted for Capital Construction		
New Binbrook Elementary School	-	2,070
Administrative Building	17,255	15,185
Amounts to be Recovered		
Employee Future Benefits	(47,898)	(51,951)
Interest Accrual	(2,305)	(1,841)
Vacation Accrual	-	(296)
Other		
School Generated Funds	4,132	4,200
Revenues Recognized for Land	25,912	24,453
Balance at August 31, 2013	**$ 5,922**	**$ (2,729)**

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, 2016.

14. 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.

(All amounts in thousands of dollars)

15. COMMITMENTS

The Board has outstanding contractual obligations at August 31, 2013 of approximately $ 24,024 (2012 - $4,674) for the construction of new schools and for other capital projects.

The Board has a long-term lease commitments with various expiry dates.. The minimum payments are as follows:

2014	$1,089
2015	148
2016	161
2017	162
2018	175
Thereafter	730
Total	**$ 2,465**

16. NEW PUPIL PLACES AND GOOD PLACES TO LEARN OTHER

The Board has temporarily financed its expenditures relating to New Pupil Places and Good Place To Learn Other. These expenditures will be financed by a long-term financing vehicle through the Ontario Financing Authority in the 2013-2014 school year in the amount of $ 2,382 . In the interim, the Ministry will continue to fund short-term interest costs related to these expenditures.

17. 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 share of revenue and expenses in the Consolidated Statement of Operations.

18. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received $16,675 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.