Consolidated Financial Statements of

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD

Years ended August 31, 2012 and 2011

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

Don Grant
Superintendent of Business & Treasurer

February 25, 2013

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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, 2012 and August 31, 2011, the consolidated statements of operations, changes in net debt and cash flows for the years 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.

Opinion

In our opinion, the consolidated financial statements of the Hamilton-Wentworth District School Board as at August 31, 2012 and August 31, 2011, 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 Accounts, Licensed Public Accountants

February 25, 2013
Hamilton, Canada

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT AUGUST 31, 2012 AND AUGUST 31, 2011

	2011-12 ($000's)	2010-11 (Restated) ($000's)
FINANCIAL ASSETS		
Cash and Cash Equivalents	16,500	990
Accounts Receivable - Other	23,944	22,287
Accounts Receivable - Government of Ontario - Approved Capital (note 3)	169,097	149,693
Investments (note 2)	1,000	1,000
TOTAL FINANCIAL ASSETS	210,541	173,970
FINANCIAL LIABILITIES		
Accounts Payable and Accrued Liabilities	37,554	31,455
Net Debenture Debt, Capital Loans and Leases (note 7)	119,959	97,332
Deferred Revenue (note 4)	25,090	21,733
Employee Benefits Payable (note 6)	58,556	101,134
Deferred Capital Contributions (note 5)	484,207	459,914
TOTAL FINANCIAL LIABILITIES	725,366	711,568
NET DEBT	**(514,825)**	**(537,598)**
NON-FINANCIAL ASSETS		
Prepaid Expenses	705	692
Tangible Capital Assets (note 10)	511,391	488,003
TOTAL NON-FINANCIAL ASSETS	**512,096**	**488,695**
ACCUMULATED SURPLUS / (DEFICIT) (note 11)	**(2,729)**	**(48,903)**

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, 2012 AND AUGUST 31, 2011

	2011-12 Budget (Unaudited) ($000's)	2011-12 Actual ($000's)	2010-11 Actual (Restated) ($000's)
REVENUES			
Provincial Grants - Grants for Student Needs	395,081	370,498	356,308
Provincial Grants - Other	9,872	16,270	13,890
Local Taxation	128,663	127,507	127,540
School Generated Funds	12,192	12,834	12,726
Federal Grants and Fees	-	973	928
Investment Income	150	232	406
Other Fees and Revenues	2,112	5,769	10,924
Amortization of Deferred Capital Contributions (note 5)	-	23,562	22,185
TOTAL REVENUES	548,070	557,645	544,907
EXPENDITURES (note 9)			
Instruction	433,426	394,634	418,618
Administration	12,884	11,820	14,020
Transportation	13,806	14,171	13,780
Pupil Accommodation	78,327	75,893	75,987
School Generated Funds	12,192	12,626	12,838
Other	2,690	2,327	2,276
TOTAL EXPENSES	553,325	511,471	537,519
ANNUAL SURPLUS / (DEFICIT) (note 11)	**(5,255)**	**46,174**	**7,388**
Accumulated Surplus / (Deficit) at Beginning of Year	(48,903)	(48,903)	(56,291)
ACCUMULATED SURPLUS / (DEFICIT) AT END OF YEAR	**(54,158)**	**(2,729)**	**(48,903)**

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	2011-12 ($000's)	2010-11 (Restated) ($000's)
OPERATING TRANSACTIONS		
Annual Surplus (Deficit)	46,174	7,388
Sources and (Uses):		
Non-cash items including Amortization, Write-downs and Gain / Loss on disposal of TCA	24,412	22,229
Amortization of Deferred Capital Contributions	(23,562)	(22,185)
Deferred Gain on Disposal of Restricted Assets	(9,559)	(2,024)
Decrease (Increase) in Accounts Receivable	(1,657)	(31,821)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	6,099	1,092
Increase (Decrease) in Deferred Revenue - Operating	490	(527)
Increase (Decrease) in Employee Benefits Payable	(42,578)	4,126
Decrease (Increase) in Prepaid Expense	(13)	163
CASH PROVIDED BY (APPLIED TO) OPERATING TRANSACTIONS	**(194)**	**(21,559)**
CAPITAL TRANSACTIONS		
Proceeds on Sale of Tangible Capital Assets	11,923	2,065
Cash used to Acquire Tangible Capital Assets	(50,164)	(51,547)
CASH PROVIDED BY (APPLIED TO) CAPITAL TRANSACTIONS	**(38,241)**	**(49,482)**
FINANCING TRANSACTIONS		
Long Term Debt Issued	31,300	10,664
Increase (Decrease) in Temporary Borrowings	-	(11,400)
Debt Repayments	(8,673)	(3,384)
(Increase)/Decrease in Accounts Receivable - Government of Ontario	(19,404)	-
Additions to/(Disposals from) Deferred Capital Contributions	47,855	48,303
Increase/(Decrease) in Deferred Revenues - Capital	2,867	(3,216)
CASH PROVIDED BY (APPLIED TO) FINANCING TRANSACTIONS	**53,945**	**40,967**
CHANGE IN CASH AND CASH EQUIVALENTS	**15,510**	**(30,074)**
Opening Cash and Cash Equivalents	990	31,064
CLOSING CASH AND CASH EQUIVALENTS	**16,500**	**990**

HAMILTON-WENTWORTH DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED AUGUST 31, 2012 AND AUGUST 31, 2011

	2011-12 Actual ($000's)	2010-11 Actual ($000's)
ANNUAL SURPLUS / (DEFICIT)	46,174	7,388
TANGIBLE CAPITAL ASSET ACTIVITY		
Acquisition of Tangible Capital Assets	(50,164)	(51,547)
Amortization of Tangible Capital Assets	24,066	22,131
Gain / Loss on Sale of Tangible Capital Assets (excluding deferred sale gain on restricted asset)	346	(5)
Proceeds on Sale of Tangible Capital Assets	11,923	2,065
Less: Gains on Sale Allocated to Deferred Revenue	(9,559)	(2,024)
Write-Downs of Tangible Capital Assets		104
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	**(23,388)**	**(29,276)**
OTHER NON-FINANCIAL ASSET ACTIVITY		
Use of Prepaid Expenses	(13)	163
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	**(13)**	**163**
(INCREASE) DECREASE IN NET DEBT	**22,773**	**(21,725)**
Net Debt at Beginning of Year	(537,598)	(515,873)
NET DEBT AT END OF YEAR	**(514,825)**	**(537,598)**

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 requires 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.

Regulation 395/11,"Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the School Board 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 ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the statement of financial position as at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. 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 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 as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be 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 as at August 31, 2012.

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Tangible Capital Assets (continued)

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

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.

(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. The budget figures are unaudited.

(All amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. INVESTMENTS

Investments consist of marketable securities that are recorded at cost and are comprised as follows:

	2012		2011	
	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.

3. ACCOUNTS RECEIVABLE – GOVERNMENT OF ONTARIO – APPROVED CAPITAL

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 $169,097 (2011 - $149,693) as at August 31, 2012 with respect to this capital grant.

(All amounts in thousands of dollars)

4. 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, 2012 is comprised of:

	Balance as at August 31, 2011	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers (to) deferred capital contributions	Balance as at August 31, 2012
Proceeds of disposition	$ 8,458	$ 12,375	$ (1,584)	$ (8,865)	$ 10,384
Special Education	-	59,338	(59,338)	-	-
School renewal	7,988	7,490	(1,831)	(1,555)	12,092
Energy efficient schools/renewable energy	3,259	-	(69)	(3,163)	27
Other	2,028	32,883	(24,257)	(8,067)	2,587
Total Deferred Revenue	$ 21,733	$ 112,086	$ (87,079)	$ (21,650)	$ 25,090

5. 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.

	2012	**2011**
Balance at beginning of year	$ 459,914	$ 433,796
Additions to Deferred Capital Contributions	28,691	36,676
Transfers from Deferred Revenue	21,650	11,637
Disposals/Transfers to Financial Assets	(2,486)	(10)
Amortization	(23,562)	(22,185)
Balance at end of year	**$ 484,207**	**$ 459,914**

(All amounts in thousands of dollars)

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

Retirement and Other Employee Future Benefit Liabilities

			2012	**2011**
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued Benefit Liability – Opening Balance	$ 59,017	$ 42,117	$ 101,134	$ 97,008
Current Year Benefit Expense	3,996	3,026	7,022	7,191
Interest on Accrued Benefit Obligation	2,606	1,610	4,216	4,214
Recognized Curtailment (Gain)	(12,890)	(41,406)	(54,296)	-
Recognition of the Unamortized Actuarial Loss	5,107	5,097	10,204	259
Employee-Future Benefits Expenses (Recovery)[1]	(1,181)	(31,673)	(32,854)	11,664
Benefits Payment	(6,228)	(3,496)	(9,724)	(7,538)
Accrued Benefit Liability – Closing Balance	$51,608	$ 6,948	$ 58,556	$ 101,134

[1] Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.
There were no unamortized gains or losses for the current year (2011 – $7,354).

Plan Changes

On September 11, 2012 the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for 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 are eliminated as of September 1, 2012, and are replaced with a new sick leave plan and short term disability plan with no provisions for accumulation of unused days.

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.

6. 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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2012, the Board contributed $5,730 (2011 - $4,674) 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 year 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.

(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. The changes to the Board's retirement health, life and dental plans resulted in a one-time reduction to the Board's obligation of $7 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

(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. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision.

(All amounts in thousands of dollars)

6. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(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, 2012 are based on actuarial valuations for accounting purposes as at August 31, 2012. 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:

	2012	2011
Inflation	2.0%	2.0%
Wage and Salary Escalation	0%	3.0%
Health care Cost Escalation	9.0% decreasing by ¼% each year to 4.0%	10.0% decreasing by ½% each year to 4.0%
Dental Cost Escalation	5.0% decreasing by ¼% each year to 3.0%	6.0% decreasing by ½% each year to 3.0%
Discount on Accrued Benefit Obligations	3.0%	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.

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time reduction in the obligation of $41,399 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

(All amounts in thousands of dollars)

7. NET DEBENTURE DEBT, CAPITAL LOANS AND LEASES

The net long-term liabilities reported on the Consolidated Statement of Financial Position of $120,202 consists of debentures of $3,293 (2011 - $10,666) loans of $115,824 (2011 – $86,666) and Capital Lease $1,085 (2011 - $1,258). 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:

	2012	2011
Serial Debenture, due July 19, 2016	$ 3,293	$ 3,995
Serial Debenture, due October 25, 2011	-	6,671
Ontario Financing Authority Loan due Nov 15, 2031, 4.56%	9,878	10,187
Ontario Financing Authority Loan due Mar 3, 2033, 4.90%	30,103	30,923
Ontario Financing Authority Loan due Mar 13, 2034, 5.062%	10,851	11,119
Ontario Financing Authority Loan due Apr 13, 2035, 5.232%	23,258	23,773
Ontario Financing Authority Loan due March 11, 2036, 4.833%	10,435	10,664
Ontario Financing Authority Loan due Nov 15, 2036, 3.970%	12,310	-
Ontario Financing Authority Loan due March 9, 2037, 3.564%	18,990	-
Capital Lease Matures, June 1, 2019	841	-
	$119,959	**$ 97,332**

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
2013	$ 3,911	$ 5,548	$ 9,459
2014	4,102	5,356	9,458
2015	4,303	5,153	9,456
2016	4,515	4,939	9,454
2017	3,775	4,716	8,491
Thereafter	99,353	46,430	145,783
Total	**$119,959**	**$72,142**	**$192,101**

8. 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:

	2012	2011
Principal payments on debentures	$ 9,515	$ 3,384
Interest payments on debentures	5,097	4,682
	$14,612	**$ 8,066**

(All amounts in thousands of dollars)

9. EXPENDITURES BY OBJECT

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

Current Expenditures:	2012 Budget (Unaudited)	2012 Actual	2011 Actual
Salary and Wages	$ 383,129	$ 392,609	$ 376,868
Employee Benefits*	59,598	12,960	57,263
Staff Development	5,415	1,951	1,865
Supplies and Services	38,036	36,674	36,917
Interest Charges on Capital	5,539	5,263	4,784
Rental Expenditures	223	2,644	1,318
Fees & Contractual Services	22,377	20,071	21,606
Other	2,561	2,259	1,824
Amortization and Loss on Disposal of Tangible Capital Assets	24,255	24,414	22,236
School Generated Funds	12,192	12,626	12,838
Total	**$553,325**	**$511,471**	**$ 537,519**

*Employee benefits include curtailment gain on the actuarial value of future employee benefits of $ 54,296, (2011 – Nil).

10. TANGIBLE CAPITAL ASSETS

(a) Assets Under Construction

Assets under construction having a value of $ 539 (2011 - $ 23,229) 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 (2011 – 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 (2011 – Nil).

(All amounts in thousands of dollars)

10. TANGIBLE CAPITAL ASSETS (continued):

Year ended August 31, 2012

	Cost (in 000's)				Accumulated Amortization (in 000's)					
	Balance at August 31, 2011	Additions, transfers and adjustments	Disposals and Write offs	Balance at August 31, 2012	Balance at August 31, 2011	Amortization and adjustments	Disposals and write offs	Balance at August 31, 2012	Net book value August 31, 2012	Net book value August 31, 2011
Land	$ 24,007	$ 669	$ (223)	$ 24,453	$ -	$ -	$ -	$ -	$ 24,453	$ 24,007
Land improvements	2,629	836	(217)	3,248	397	193	(60)	530	2,718	2,232
Buildings	665,089	64,603	(6,501)	723,191	241,575	19,915	(4,171)	257,319	465,872	423,514
Portable structures	10,742	821	(1,394)	10,169	6,764	572	(1,393)	5,943	4,226	3,978
Furniture and Equipment	7,194	2,376	(289)	9,281	3,230	833	(290)	3,773	5,508	3,964
Computer Hardware and Software	11,100	1,954	(646)	12,408	5,537	2,212	(646)	7,103	5,305	5,563
Vehicles	930	103	-	1,033	343	187	-	530	503	587
Construction in progress	23,229	(22,690)	-	539	-	-	-	-	539	23,229
Leasehold Improvements	1,170	1,492	-	2,662	241	154	-	395	2,267	929
	$ 746,090	$ 50,164	$ (9,270)	$ 786,984	$ 258,087	$ 24,066	$ (6,560)	$ 275,593	$ 511,391	$ 488,003

(All amounts in thousands of dollars)

10. TANGIBLE CAPITAL ASSETS (continued):

Year ended August 31, 2011

	Cost (in 000's)				Accumulated Amortization (in 000's)					
	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	Net book value August 31, 2011	Net book value August 31, 2010
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	29,735	-	665,089	223,263	18,312	-	241,575	423,514	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	$ 51,547	$ (4,913)	$ 746,090	$ 240,729	$ 22,131	$ (4,773)	$ 258,087	$ 488,003	$ 458,727

(All amounts in thousands of dollars)

11. ACCUMULATED SURPLUS (DEFICIT)

	2012	2011
Unappropriated	$ 2,180	$1,508
Amounts Restricted for Future Use of the Board		
School Budgets	1,511	1,838
Computer Technology	329	556
Board Initiatives	1,236	1,150
Cafeteria Equipment Replacement	195	296
Amounts Restricted for Capital Construction		
New Binbrook Elementary School	2,070	3,729
Waterdown District High School Addition	-	1,797
Administrative Building	15,185	11,729
Amounts to be Recovered		
Employee Future Benefits	(51,951)	(94,528)
Interest Accrual	(1,841)	(1,676)
Vacation Accrual	(296)	(592)
Other		
School Generated Funds	4,200	3,991
Revenues Recognized for Land	24,453	21,299
Balance at August 31, 2012	**$(2,729)**	**$ (48,903)**

12. 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.

13. SALARY NEGOTIATIONS

All salary and wage agreements were settled as at August 31, 2012.

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, 2012 of approximately $ 4,674 (2011 - $27,009) for the construction of new schools and for other capital projects.

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

2013	$1,185
2014	1,059
2015	180
2016	193
2017	195
Thereafter	953
Total	**$ 3,765**

16. GOOD PLACES TO LEARN, PRIMARY CLASS SIZE, CAPITAL PRIORITIES, GROWTH SCHOOLS AND CAPITAL PRESSURES

The Board has temporarily financed its expenditures relating to Good Places to Learn, Primary Class Size. Capital Priorities, Growth Schools and Capital Pressures. These expenditures will be financed by a long-term financing vehicle through the Ontario Financing Authority in the 2012-2013 school year in the amount of $43,964. 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 not reflected in the Board's financial position.

19. SUBSEQUENT EVENT

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27, 2012. The requirements of this new legislation were used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in Note 6.

20. RESTATEMENT OF COMPARATIVE FIGURES

Previously reported tangible capital assets and deferred capital contributions at August 31, 2011 have been increased by $1,036 from $487,967 to $488,003 and from $458,878 to $459,914 respectively. Previously reported deferred revenue has been increased by $7,306 from $14,427 to $21,733 and accumulated deficit has increased from $41,597 to $48,903 as a result of funding that was inadvertently recorded as a reserve within accumulated surplus and not included in deferred revenue.