

Report and consolidated financial statements of

Halton District School Board

August 31, 2011

Halton District School Board

August 31, 2011

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Management Report

Management's responsibility for the consolidated financial statements

The accompanying consolidated financial statements of the Halton District School Board are the responsibility of the Board's management and have been prepared in compliance with legislation, and in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

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

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

The Audit Committee 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 the Board of Trustees approval of the consolidated financial statements.

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

Director of Education



David Euale

Superintendent of Business Services
And Treasurer



Lucy Veerman

November 30, 2011

Independent Auditor's Report

To the Trustees of the
Halton District School Board

We have audited the accompanying consolidated financial statements of Halton District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2011, and the consolidated statements of operations, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information. These 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

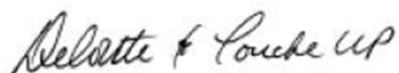
We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Halton District School Board as at August 31, 2011 and the results of its operations, its cash flows and its changes in net debt 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 describe the basis of accounting. The consolidated financial statements are prepared to assist Halton District School Board to meet the financial reporting requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose.



Chartered Accountants
Licensed Public Accountants
November 30, 2011

Halton District School Board

Consolidated statement of financial position as at August 31, 2011

	2011	2010 (Restated - Note 2)
	\$	\$
Financial assets		
Cash and cash equivalents	7,494,654	6,435,755
Accounts receivable	32,470,819	31,639,035
Accounts receivable - Government of Ontario (Note 3)	273,679,778	246,343,590
Assets held for sale (Note 4)	1,281,098	-
	314,926,349	284,418,380
Liabilities		
Temporary borrowing (Note 5)	66,000,000	69,100,000
Accounts payable and accrued liabilities	47,575,848	48,015,609
Other (Note 5)	9,689,758	9,681,162
Net long-term liabilities (Note 6)	210,503,275	194,887,983
Deferred revenue (Note 8)	7,324,943	1,034,591
Employee benefits payable (Note 10)	64,561,268	59,443,083
Deferred capital contributions (Note 9)	423,391,135	382,805,356
	829,046,227	764,967,784
Net debt	(514,119,878)	(480,549,404)
Non-financial assets		
Prepaid expenses	4,157,682	5,216,729
Tangible capital assets (Note 11)	567,048,631	525,413,904
	571,206,313	530,630,633
Accumulated surplus (Note 12)	57,086,435	50,081,229

Contractual obligations and contingent liabilities (Note 16)

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

Approved by the Board

_____ Director

_____ Director

Halton District School Board

Consolidated statement of operations year ended August 31, 2011

	Budget (Unaudited) (Note 14)	2011 Actual	2010 Actual (Restated - Note 2)
	\$	\$	\$
Revenues			
Local taxation	215,492,124	216,274,807	208,525,745
Provincial grants - Student Focused Funding	282,315,987	271,077,883	268,682,167
Provincial grants - other	5,785,818	12,162,247	10,932,444
Investment income	662,974	1,576,519	1,662,469
Federal grants	-	391,205	-
School fundraising and other revenues	18,145,000	18,983,692	19,979,769
Deferred capital contributions - grants recognized (Note 9)	11,133,498	17,633,213	15,075,807
Other fees and revenues	12,885,514	16,899,645	19,915,576
Total revenues	546,420,915	554,999,211	544,773,977
Expenses			
Instruction	443,840,541	418,202,427	387,549,922
Administration	13,806,923	13,236,596	13,424,230
Transportation	12,650,495	12,836,772	11,948,182
Pupil accommodation	65,416,424	77,695,997	70,910,909
Other	2,281,627	8,081,064	6,964,143
School funded activities	18,145,000	17,941,149	20,359,342
Total expenses	556,141,010	547,994,005	511,156,728
Annual (deficit) surplus	(9,720,095)	7,005,206	33,617,249
Accumulated (deficit) surplus, beginning of year	27,056,681	50,081,229	16,463,980
Accumulated surplus, end of year (Note 12)	17,336,586	57,086,435	50,081,229

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

Halton District School Board

Consolidated statement of cash flows year ended August 31, 2011

	2011	2010 (Restated - Note 2)
	\$	\$
Operating transactions		
Annual surplus	7,005,206	33,617,249
Non-cash items		
Amortization	17,995,031	15,720,887
Deferred capital contributions - grants recognized (Note 9)	(17,633,213)	(15,075,807)
Deferred gain on disposal of restricted assets	(6,279,906)	-
Sources and (uses)		
Accounts receivable	(831,784)	(2,674,355)
Accounts receivable - Government of Ontario	(27,336,188)	(246,343,590)
Assets held for sale	(1,281,098)	-
Accounts payable and accrued liabilities	(439,761)	7,136
Other liabilities	8,596	247,664
Deferred revenues	6,290,352	(1,439,005)
Employee benefits payable	5,118,185	2,705,338
Prepaid expenses	1,059,047	1,172,050
	(16,325,533)	(212,062,433)
Capital transactions		
Proceeds on sale of tangible capital assets	6,544,691	-
Acquisition of tangible capital assets	(61,175,641)	(90,113,415)
Assets held for sale (Note 4)	1,281,098	-
	(53,349,852)	(90,113,415)
Financing transactions		
Debt repaid and sinking fund contributions	(4,270,745)	(6,068,483)
Net long-term liabilities issued	19,886,037	33,918,272
(Decrease) increase in temporary borrowing	(3,100,000)	34,100,000
Additions to deferred capital contributions	59,396,216	240,818,898
Assets held for sale - transfer to deferred revenue (Notes 4 and 9)	(1,177,224)	-
	70,734,284	302,768,687
Change in cash and cash equivalents	1,058,899	592,839
Opening cash and cash equivalents	6,435,755	5,842,916
Closing cash and cash equivalents	7,494,654	6,435,755

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

Halton District School Board

Consolidated statement of changes in net debt year ended August 31, 2011

	2011	2010 (Restated - Note 2)
	\$	\$
Annual surplus	7,005,206	33,617,249
Tangible capital asset activity		
Acquisition of tangible capital assets	(61,175,641)	(90,113,415)
Assets held for sale (Note 4)	1,281,098	-
Sale of asset - net (Note 4)	264,785	-
Amortization of tangible capital assets	17,995,031	15,720,887
	(41,634,727)	(74,392,528)
Other non-financial asset activity		
Acquisition of prepaid expenses	(1,782,313)	(1,380,649)
Use of prepaids	2,841,360	2,552,699
	1,059,047	1,172,050
Increase in net debt	(33,570,474)	(39,603,229)
Net debt at beginning of year	(480,549,404)	(440,946,175)
Net debt at end of year	(514,119,878)	(480,549,404)

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

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

1. Significant accounting policies

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

a. Basis of accounting

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

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". The Ontario Ministry of Education provided direction on the adoption of this new standard in memorandum 2011: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 consolidated 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".

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

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, including the following:

Halton Learning Foundation

Fast Track Community Centre for Skills Development and Training

Halton Student Transportation Services ("HSTS")

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.

All material inter-departmental and inter-organizational transactions and balances between these organizations are eliminated upon consolidation.

c. Trust funds

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements, as they are not controlled by the Board.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

1. Significant accounting policies (continued)

d. Cash and cash equivalents

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

e. 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 improvements with finite lives	15
Buildings	40
Portable structures	20
Other buildings	20
First-time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Leasehold improvements - The Centre	10

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.

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 expenses are incurred or services performed.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

1. Significant accounting policies (continued)

g. Retirement and other future benefits

The Board provides defined retirement, post retirement and workers' safety insurance benefits to specified employee groups. These benefits include pension, retirement gratuity, health and dental, workers' safety insurance benefits and long term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, health care costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities, and sick leave, the cost is actuarially determined using the projected benefit method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur periodically, such as obligations for workers' compensation, 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 the multi-employer defined pension 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.
- (iv) The costs of non-vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

h. Government transfers

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

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

i. Investment income

Investment income is reported as revenue in the period earned.

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.

j. Long-term debt

Long-term debt is recorded net of related sinking fund asset balances.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

1. Significant accounting policies (continued)

k. Budget figures

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

l. Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. Significant estimates include employee future benefits and accruals.

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. 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 consolidated 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:

	\$
Accumulated surplus at August 31, 2009	
Accumulated surplus, as previously reported	173,526,245
Transfer to deferred capital contributions	(157,062,265)
<u>Accumulated surplus, as restated</u>	<u>16,463,980</u>
Accumulated surplus at August 31, 2010	
Accumulated surplus, as previously reported	432,886,585
Transfer to deferred capital contributions	(382,805,356)
<u>Accumulated surplus, as restated</u>	<u>50,081,229</u>

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

2. Change in accounting policies (continued)

\$

Annual surplus for the year ended August 31, 2010	
Annual surplus, as previously reported	259,360,340
Plus: deferred capital contributions - grants recognized	15,075,807
Less: in-year Provincial capital contributions	(240,818,898)
<u>Annual surplus, as restated</u>	<u>33,617,249</u>

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

\$

Annual surplus for the year ended August 31, 2011	
Annual surplus, as per prior year policy	48,768,209
Less: in-year Provincial capital contributions	(51,742,691)
Less: transfer from deferred revenue to deferred capital contributions	(7,653,525)
Plus: deferred capital contributions - grants recognized	17,633,213
<u>Subtotal</u>	<u>(41,763,003)</u>
<u>Annual surplus, as currently reported</u>	<u>7,005,206</u>

Provincial grants have decreased by the subtotal above.

3. Accounts receivable - Government of Ontario

The Province of Ontario has replaced variable capital funding with a one-time debt support grant in 2009-10. Halton 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 \$273,679,778 (2010 - \$246,343,590) with respect to capital grants.

4. Assets held for sale

As of August 31, 2011, \$1,177,224 related to buildings and \$103,874 related to land were recorded as assets held for sale. During the year, four school properties were sold and an additional three properties with a net book value of \$1,281,098 were reclassified during the year. Net proceeds of \$6,544,691 were received on the sale of these properties, which had a carrying value of \$264,785, resulting in a gain of \$6,279,906. The proceeds of \$6,544,691 were used to pay off existing unsupported non-permanently financed debt.

Asset activity and net book value by asset class are included in Note 11 - Tangible Capital Assets.

5. Temporary borrowing and operating loan payable

The Board's bank resolutions allow aggregate borrowings to the maximum of \$135 million. The Board has credit facilities available to the maximum of \$85 million with the bank to address operating requirements and bridge capital expenditures. As at August 31, 2011, the amount drawn was \$66,000,000, bearing interest at a rate of 1.84 - 2.02% (2010 - 1.13% - 1.80%) and represents bankers acceptances which were paid in September 2011. The loan is due on demand.

An operating loan payable bearing interest at 4.64%, repayable in monthly payments of principal and interest of \$76,098, with a maturity date of August 2016, due on demand is included in Other Liabilities.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

6. Net long-term liabilities

Net long-term debt reported on the consolidated statement of financial position is comprised of the following:

	2011	2010
	\$	\$
Debtentures		
OSBFC, Series 2003-A2, 5.800%, maturing November 2028	23,421,248	24,178,047
OSBFC, Series 2004-A1, 5.483%, maturing November 2028	34,546,635	35,604,110
OSBFC, Series 2005-A1, 4.789%, maturing August 2030	10,302,734	10,629,453
OFA, Bylaw 06090, 4.560%, maturing November 2031	18,061,642	18,585,470
OFA, Bylaw 08012, 4.950%, maturing March 2033	35,938,553	36,845,615
OFA, Bylaw 09037, 5.062%, maturing March 2034	1,164,567	1,191,230
OFA, Bylaw 09036, 5.062%, maturing March 2034	6,299,153	6,443,377
OFA, Bylaw 09125, 5.384%, maturing May 2034	9,605,939	9,813,569
OFA, Bylaw 10052, 5.232%, maturing May 2035	12,910,526	13,177,119
OFA, Bylaw 10107, 4.947%, maturing May 2035	20,519,164	20,741,154
OFA, Bylaw 11034, 4.833%, maturing March 2035	19,886,037	-
Sinking fund debtentures		
Region of Halton, 89-91, 10.125%, principal paid May 2011	-	7,140,000
Region of Halton, 177-90, 12.125%, principal paid December 2010	-	3,950,000
OSBFC, Series 2003-A1, 5.300%, principal repayable November 2013	21,829,730	21,829,730
	214,485,928	210,128,874
Deduct - sinking fund assets	3,982,653	15,240,891
Net long-term financing	210,503,275	194,887,983

Of the net long-term liabilities outstanding of \$210,503,275 principal plus interest payable over the next five years and subsequent payments to maturity including sinking fund earnings are as follows:

	Principal and sinking fund contributions	Interest	Total
	\$	\$	\$
2011/12	5,785,657	10,966,435	16,752,092
2012/13	6,063,995	10,688,098	16,752,093
2013/14	22,831,880	9,238,157	32,070,037
2014/15	6,207,940	8,929,791	15,137,731
2015/16	6,532,522	8,605,210	15,137,732
Total	47,421,994	48,427,691	95,849,685
Thereafter	163,081,281	78,858,619	241,939,900
Net long-term liabilities	210,503,275	127,286,310	337,789,585

Included in net long-term debt are outstanding debtentures of \$21,829,730 (2010 - \$32,919,730) secured by sinking fund assets with a carrying value of \$3,982,653 (market value - \$3,982,653). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debtentures and corporate bonds.

Interest on long-term debt amounted to \$11,341,226 (2010 - \$10,312,967).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

7. Debt charges and capital loan interest

The expenditure for debt charges and capital loan interest includes principal, sinking fund contributions and interest payments as follows:

	2011	2010
	\$	\$
Principal payments on long-term liabilities including contributions to sinking funds	4,270,745	6,068,483
Interest payments on long-term liabilities	11,341,226	10,312,967
Interest payments on temporary financing of capital projects	922,158	1,193,869
	16,534,129	17,575,319

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of \$4,270,745 (2010 - \$6,068,483) are principal payments on long-term debt of \$4,438,982 (2010 - \$4,973,409), sinking fund contributions and interest of \$1,478,463 (2010 - \$1,095,074) and maturity of sinking fund assets surplus of \$1,646,700 (2010 - \$Nil).

8. Deferred revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue is 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
	\$	\$	\$	\$	\$
Energy efficient schools – capital	729,837	4,258,575	-	2,160,962	2,827,450
Renewable energy – capital	-	783,360	-	636,292	147,068
School renewal	-	7,128,563	847,844	3,928,521	2,352,198
Special education	-	68,233,488	67,502,592	-	730,896
Green schools pilot	304,754	-	55,989	158,658	90,107
Legislative grants	-	26,194,826	24,786,455	1,408,371	-
Other ministry of education grants	-	366,748	366,748	-	-
Education development charges	-	5,020,491	5,020,491	-	-
Other third party	-	3,208,948	-	3,208,948	-
Proceeds of disposition	-	6,544,691	191,119	6,353,572	-
Transfer assets held for sale	-	1,177,224	-	-	1,177,224
Total deferred revenue	1,034,591	122,916,914	98,771,238	17,855,324	7,324,943

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

9. Deferred capital contributions

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

	2011	2010 (Restated)
	\$	\$
Balance as at August 31, 2010	382,805,356	157,062,265
Additions to deferred capital contributions	51,742,691	240,818,898
Transfers from deferred revenue	7,653,525	-
Deferred capital contributions - grants recognized	(17,633,213)	(15,075,807)
Assets held for sale - transfer to deferred revenue	(1,177,224)	-
Balance as at August 31, 2011	423,391,135	382,805,356

10. Retirement and other employee future benefits

						2011	2010
	Retirement benefits	Post retirement benefits	Workers' safety insurance board	Non-vesting sick leave accumulation benefits	Long-term disability plans	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$	\$	\$	\$
Accrued employee future benefit obligations	42,356,509	702,110	3,397,166	31,628,685	303,683	78,388,153	71,342,929
Unamortized actuarial losses	(5,588,651)	(215,067)	-	(8,023,167)	-	(13,826,885)	(11,899,846)
Employee future benefits liability	36,767,858	487,043	3,397,166	23,605,518	303,683	64,561,268	59,443,083

						2011	2010
	Retirement benefits	Post retirement benefits	Workers' safety insurance board	Non-vesting sick leave accumulation benefits	Long-term disability plans	Total employee future benefits	Total employee future benefits
	\$	\$	\$	\$	\$	\$	\$
Current year benefit cost	2,734,214	19,428	428,754	2,363,875	408,746	5,955,017	6,405,521
Amortized actuarial loss	517,904	29,244	-	662,245	-	1,209,393	980,681
Interest on accrued benefit obligation	1,742,091	29,887	-	1,305,644	-	3,077,622	2,981,327
Employee future benefits expenses	4,994,209	78,559	428,754	4,331,764	408,746	10,242,032	10,367,529

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

10. Retirement and other employee future benefits (continued)

Above amounts exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Retirement benefits

Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's consolidated financial statements.

Ontario Municipal Employees Retirement System

Certain 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 ending August 31, 2011, the Board contributed \$4,064,588 (2010 - \$3,390,591) 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.

Retirement gratuities

The retirement gratuity plans established by the Board provide for the payment of a gratuity to employees who have a minimum of ten consecutive years of service with the Board immediately prior to retirement on pension by reason of age or ill health. The amount of gratuity payment is determined by the employee's years of service, number of cumulative sick leave days and annual salary. The benefit payable to an employee is equal to the lesser of fifty percent of his/her annual salary or a maximum amount as set forth in the terms and conditions of employment. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Retirement gratuities paid or payable in respect of employees who retired in 2011 amounted to \$2,932,243 (2010 - \$3,773,673).

Post-retirement benefits

The Board extends post-retirement health and dental benefits to certain employee groups until the age of 65. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements.

Other employee future benefits

Workers' Safety Insurance Board

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. Occurrences between \$2,000,000 and \$25,000,000 are insured under third party insurance coverage. The Board participates in the Workers' Compensation Assistance Program with the School Boards' Co-operative Inc. (SBCI). For an annual fee, this program provides funds to Participating Members that incur claim costs on any workers' compensation incident between \$300,000 and \$2,000,000. The Board is self-insured for all other occurrences. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

The Board does not fund these obligations in advance of payments made under the Act.

Workers' compensation benefits expensed due to claims settled during the year amounted to \$428,754 (2010 - \$1,124,928).

There is a contingent liability relating to the Board's participation in the Workers' Assistance Program due to exposure to claims in excess of funds collected by SBCI.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

10. Retirement and other employee future benefits (continued)

Other employee future benefits (continued)

Long-term disability benefits

The Board provides long-term disability benefits including payment of life insurance premiums and health care benefits during the period an employee is unable to work. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

Sick leave benefits

The Board allocates to certain employee groups a specified number of days each year for use as paid absences in the event of illness or injury. Part-time employees are entitled to prorated days based on the proportion of part-time to full-time work. Employees are allowed to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated credits may be used in future years to the extent that the employees' illness or injury exceeds the current year's allocation of credits. Sick day credits are paid out at the salary in effect at the time of usage. The benefit costs and liabilities related to the plan are included in the Board's consolidated financial statements.

The accrued benefit obligations for employee future benefit plans as at August 31, 2011 are based on actuarial valuations completed for accounting purposes as at August 31, 2011. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2011	2010
	%	%
Wage and salary escalation	3.00	3.00
Inflation	2.00	2.00
Interest	4.00	4.50

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$5,745,752 at August 31, 2011 (2010 - \$3,688,443).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

11. Tangible capital assets

	Balance at September 1, 2010	Additions and transfers	Disposals	Transfer to assets held for sale	Cost Balance at August 31, 2011
	\$	\$	\$	\$	\$
Halton District School Board					
Land	126,146,202	7,386,596	(264,785)	(103,873)	133,164,140
Land improvements	9,271,789	6,572,157	-	(19,303)	15,824,643
Buildings (40 yrs)	452,161,177	42,722,807	(390,100)	(2,229,999)	492,263,885
Portable structures	11,269,654	71,428	(2,440,760)	-	8,900,322
Construction in progress	26,502,540	1,193,539	-	-	27,696,079
Pre-acquisition and construction cost	3,771,098	(1,460,799)	-	-	2,310,299
Equipment (5 years)	358,340	15,865	-	-	374,205
Equipment (10 years)	1,260,451	141,569	(85,427)	-	1,316,593
Equipment (15 years)	115,656	130,847	-	-	246,503
First time equipping	9,087,842	1,380,886	(427,734)	-	10,040,994
Furniture	195,027	11,052	(4,011)	-	202,068
Computer hardware	7,741,536	920,699	(1,810,692)	-	6,851,543
Computer software	2,022,998	422,186	(230,042)	-	2,215,142
Asset permanently removed from service					
Buildings – 40 years	-	1,664,984	-	-	1,664,984
	649,904,310	61,173,816	(5,653,551)	(2,353,175)	703,071,400
The Centre					
Leasehold improvements	821,158	-	-	-	821,158
Equipment and furniture	907,667	-	-	-	907,667
	1,728,825	-	-	-	1,728,825
Halton Learning Foundation					
Computers	4,803	1,825	-	-	6,628
Furniture and fixtures	4,423	-	-	-	4,423
	9,226	1,825	-	-	11,051
Total	651,642,361	61,175,641	(5,653,551)	(2,353,175)	704,811,276

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

11. Tangible capital assets (continued)

	Accumulated amortization				Net book value		
	Balance at September 1, 2010	Amortization	Disposals, write offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2011	2011	2010
	\$	\$	\$	\$	\$	\$	\$
Halton District School Board							
Land	-	-	-	-	-	133,164,140	126,146,202
Land improvements	1,093,685	853,448	-	(3,125)	1,944,008	13,880,635	8,178,104
Buildings (40 yrs)	108,754,867	13,490,135	(973,652)	(1,068,952)	120,202,398	372,061,487	343,406,310
Portable structures	5,512,977	497,326	(2,440,760)	-	3,569,543	5,330,779	5,756,677
Construction in progress	-	-	-	-	-	27,696,079	26,502,540
Pre acquisition and construction cost	-	-	-	-	-	2,310,299	3,771,098
Equipment (5 years)	182,247	73,255	-	-	255,502	118,703	176,093
Equipment (10 years)	462,676	128,852	(85,427)	-	506,101	810,492	797,775
Equipment (15 years)	6,749	12,072	-	-	18,821	227,682	108,907
First time equipping	4,064,202	956,442	(427,734)	-	4,592,910	5,448,084	5,023,640
Furniture	36,635	19,855	(4,011)	-	52,479	149,589	158,392
Computer hardware	3,842,286	1,459,308	(1,810,692)	-	3,490,902	3,360,641	3,899,250
Computer software	810,175	423,814	(230,042)	-	1,003,947	1,211,195	1,212,823
Assets permanently removed from service							
Buildings – 40 years	-	-	583,552	-	583,552	1,081,432	-
	124,766,499	17,914,507	(5,388,766)	(1,072,077)	136,220,163	566,851,237	525,137,811
The Centre							
Leasehold improvements	547,081	78,721	-	-	625,802	195,356	274,077
Equipment and furniture	907,205	462	-	-	907,667	-	462
	1,454,286	79,183	-	-	1,533,469	195,356	274,539
Halton Learning Foundation							
Computers	4,480	933	-	-	5,413	1,215	323
Furniture and fixtures	3,192	408	-	-	3,600	823	1,231
Total foundation	7,672	1,341	-	-	9,013	2,038	1,554
Total	126,228,457	17,995,031	(5,388,766)	(1,072,077)	137,762,645	567,048,631	525,413,904

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

11. Tangible capital assets (continued)

a) *Assets under construction*

Assets under construction having a value of \$30,006,378 (2010 - \$30,273,638) have not been amortized. Amortization of these assets will commence when the asset is put into service.

b) *Asset permanently removed from service*

The Board has identified a building property that qualifies as an asset permanently removed from service. \$1,081,432 related to building has been included in the net book value ending balance as of August 31, 2011 (2010 - \$Nil).

c) *Assets held for sale*

Refer to Note 4 - Assets held for sale

12. Accumulated surplus

Accumulated surplus consists of the following:

	2011	2010
	\$	\$
Surplus		
Invested in non-depreciable tangible capital assets	81,214,010	76,763,700
Amounts restricted for future use by board motion	26,247,058	24,707,271
Employee future benefits	(61,164,098)	(56,410,088)
School generated funds	5,545,779	4,503,236
Other	5,243,686	517,110
Total surplus	57,086,435	50,081,229

13. Expenses by object

The following is a summary of expenses reported in the consolidated statement of operations by object:

	Budget	2011	2010
	(Unaudited)	Actual	Actual
	\$	\$	\$
Expenses			
Salary and wages	361,278,873	356,733,880	328,589,664
Employee benefits	57,082,558	57,201,809	50,603,123
Staff development	3,634,362	4,678,432	3,664,422
Supplies and services	59,308,836	48,904,201	52,652,376
Interest charges on capital	12,006,962	13,291,990	11,506,836
Rental expenses	1,140,123	1,105,067	1,166,422
Fees and contract services	30,062,030	30,710,758	29,502,584
Other	14,396,509	17,372,837	17,750,414
Amortization of tangible capital assets	17,230,757	17,995,031	15,720,887
Total	556,141,010	547,994,005	511,156,728

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

14. Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 consolidated budget. Board only budget was approved by the Board of Trustees on July 7, 2010. The budget was prepared in June 2010, prior to the release of the Government Transfers standard, which was released in March 2011. As a result, there are some changes in how the DCC taken in to income is calculated for the consolidated financial statements, versus for the budget. This includes the treatment of sinking fund interest and other components. The chart below reconciles the approved budget to the budget figures reported in the consolidated statement of operations. Where amounts were not budgeted for, the actual amounts for 2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As boards only budget the consolidated statement of operations, the budget figures in the consolidated statement of changes in net debt have not been provided.

Consolidated statement of operations for the year ended August 31, 2011

	2011 budget	Change	Restated 2011 budget
	\$	\$	\$
Revenue			
Total revenues as in the 2010-11 budget	552,208,269	-	552,208,269
Add/deduct: adjustment due to adoption of government transfer standard (see Note 2)	-	(5,787,354)	(5,787,354)
Total revenue	552,208,269	(5,787,354)	546,420,915
Total expenses	556,141,010	-	556,141,010
Annual (deficit) surplus	(3,932,741)	(5,787,354)	(9,720,095)
Accumulated surplus (deficit) at beginning of year	(43,976,297)	-	(43,976,297)
Add/deduct: adjustment due to adoption of government transfer standard (see Note 2)	-	71,032,978	71,032,978
Accumulated surplus (deficit) at end of year	(47,909,038)	65,245,624	17,336,586

15. Ontario School Board Insurance Exchange ("OSBIE")

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24 million per occurrence.

The ultimate premiums over a five year period are based on each member of the reciprocal and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2011.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

16. Contractual obligations and contingent liabilities

- a) The Board has the following annual lease and contract commitments with respect to furniture, equipment, computer hardware and software, consulting, construction, and portables, totaling \$70,658,608.

Fiscal year ending August 31	\$
2012	60,057,535
2013	9,588,381
2014	549,028
2015	304,088
2016	159,576

- b) As of August 31, 2011 the Board had guarantees outstanding of \$3,414,324 (2010 - \$1,908,295) relating to construction projects in progress.
- c) The Halton District School Board, Corporation of the City of Burlington, and Burlington Public Library Board entered into an agreement in August 2011 for the financing, ownership, design, construction, occupation and maintenance of the Alton Secondary School, Joint Integrated Library and Community Project. The Halton District School Board will manage the process throughout the construction of the Project. The total estimated construction cost for the project is \$49.6 million dollars. The budget for Halton District School Board is \$31.6 million, Burlington Public Library \$4 million and City of Burlington is \$14 million. Each party will be responsible for financing their portion of the project. The Halton District School Board will finance its portion of the project as approved by the Ministry of Education, through the Ontario Financing Authority and Education Development Charges.
- d) In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2011 cannot be predicted with certainty, it is in the opinion of the Board that their resolution will not have a material adverse effect on the Board's financial position or results of operations.

17. Partnership in Halton Student Transportation Services

Transportation services for the Board are provided by Halton Student Transportation Services ("HSTS") in partnership with Halton Catholic District School Board, Le Conseil scolaire de district Catholique du Centre-Sud and Conseil scolaire Viamonde. Under the agreement created at the time HSTS was established, decisions related to the financial and operating activities of HSTS are shared. No partner is in a position to exercise unilateral control. Operations of HSTS have been included in these consolidated financial statements based on the share of net financial resources contributed by the Board during the fiscal period being reported.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

17. Partnership in Halton Student Transportation Services (continued)

The following provides condensed financial information:

	2011		2010	
	Total	Board portion	Total	Board portion
	\$	\$	\$	\$
Financial position				
Financial assets	522,617	323,552	76,288	48,901
Liabilities	735,089	455,094	81,056	51,965
Non-financial assets	213,232	132,012	5,528	3,544
Accumulated surplus	760	470	760	480
Operations				
Revenues	19,482,889	12,395,049	18,482,406	11,847,222
Expenditures	19,482,889	12,395,049	18,482,406	11,847,222
Annual surplus	-	-	-	-

18. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$7,294,000 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the trust. The 55 School Board Trust was created to refinance the outstanding NPF debt of participating boards that 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 not permanently financed 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. The flow-through of \$543,389 (2010 - \$543,389), in respect of the above agreement for the year ended August 31, 2011, is not recorded in these consolidated financial statements.

19. Funds administered by the Board

Trust funds administered by the Board amounted to \$3,771,329 (2010 - \$4,033,755). Their operations have not been included in the consolidated statement of operations.

Continuity of funds is as follows:

	Group Life Premium Stabilization Fund	Trust funds	Deferred leave plan	2011 Total	2010 Total
	\$	\$	\$	\$	\$
Opening balance at September 1, 2010	2,121,742	800,209	1,111,804	4,033,755	3,612,393
Capital received in 2011	648,746	20,762	590,929	1,260,437	981,953
Earnings on investments in 2011	40,288	15,951	2,998	59,237	33,984
	2,810,776	836,922	1,705,731	5,353,429	4,628,330
Disbursements in 2011	1,170,771	24,027	387,302	1,582,100	594,575
Closing balance at August 31, 2011	1,640,005	812,895	1,318,429	3,771,329	4,033,755

Halton District School Board

Notes to the consolidated financial statements

August 31, 2011

20. Subsequent event

In September 2011 the Board entered into an agreement with Everstrong Construction for the construction of an elementary public school in Burlington. The contract value is \$11,250,000. An additional amount of \$2,533,538 has been approved for architect fees, miscellaneous fees and permits, site preparation costs, furniture, equipment and taxes. As of August 31, 2011 expenses of \$582,019 have been incurred.

21. Comparative figures

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.