

Report and consolidated financial statements of

Halton District School Board

August 31, 2014

Halton District School Board

August 31, 2014

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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 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.

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 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 their recommendation to the Board to approve the consolidated financial statements.

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

Director of Education

Superintendent of Business Services
And Treasurer

David Euale

Lucy Veerman

November 26, 2014

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, 2014, 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.

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.

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 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of Halton District School Board as at and for the year ended August 31, 2014 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
November 26, 2014

Halton District School Board

Consolidated statement of financial position as at August 31, 2014

	2014	2013
	\$	\$
Financial assets		
Cash and cash equivalents	32,997,285	5,623,197
Accounts receivable	34,995,600	34,982,481
Accounts receivable - Government of Ontario (Note 2)	319,554,028	330,481,877
Investments (Note 3)	227,701	250,000
	387,774,614	371,337,555
Liabilities		
Temporary borrowing (Note 4)	41,741	2,566,588
Accounts payable and accrued liabilities	50,253,960	54,642,997
Other (Note 4)	4,913,369	8,024,148
Net long-term liabilities (Note 5)	303,727,774	283,108,633
Deferred revenue (Note 7)	26,481,120	19,115,168
Employee future benefits payable (Note 9)	36,455,843	38,677,948
Deferred capital contributions (Note 8)	520,048,192	506,683,159
	941,921,999	912,818,641
Net debt	(554,147,385)	(541,481,086)
Non-financial assets		
Prepaid expenses	2,100,390	2,827,923
Tangible capital assets (Note 10)	690,554,188	661,048,287
	692,654,578	663,876,210
Accumulated surplus (Note 11)	138,507,193	122,395,124

Contractual obligations and contingent liabilities (Note 14)

Approved by the Board

_____ Director

_____ Director

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

Halton District School Board

Consolidated statement of operations year ended August 31, 2014

	Budget	2014 Actual	2013 Actual
	\$	\$	\$
Revenues			
Provincial grants - Grants for Student Needs	560,528,591	556,647,371	541,136,981
Provincial grants - other	35,250,015	35,937,114	26,909,936
Investment income	900,000	1,534,125	1,168,732
Federal grants	3,398,045	3,373,988	3,355,936
School fundraising and other revenues	19,000,000	18,519,649	15,841,832
Deferred capital contributions - grants recognized	23,511,567	23,991,200	22,253,158
Other fees and revenues	14,264,543	19,025,248	15,846,293
Total revenues	656,852,761	659,028,695	626,512,868
Expenses			
Instruction	494,674,324	488,883,310	464,824,369
Administration	13,835,654	13,521,253	12,509,631
Transportation	14,346,468	14,464,087	13,976,582
Pupil accommodation	98,914,667	99,076,133	89,665,226
Other	2,949,971	8,575,001	7,738,769
School funded activities	19,000,000	18,396,842	15,981,075
Total expenses (Note 12)	643,721,084	642,916,626	604,695,652
Annual surplus	13,131,677	16,112,069	21,817,216
Accumulated surplus, beginning of year	97,925,667	122,395,124	100,577,908
Accumulated surplus, end of year (Note 11)	111,057,344	138,507,193	122,395,124

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

Halton District School Board

Consolidated statement of cash flows year ended August 31, 2014

	2014	2013
	\$	\$
Operating transactions		
Annual surplus	16,112,069	21,817,216
Non-cash items		
Amortization (Note 10)	24,486,147	22,715,787
Deferred capital contributions - grants recognized (Note 8)	(23,991,200)	(22,253,159)
Deferred gain on disposal of restricted assets	(4,122,668)	-
Sources and (uses)		
Accounts receivable	(13,119)	8,463,489
Accounts payable and accrued liabilities	(4,389,037)	3,011,130
Other liabilities	(3,110,779)	(914,236)
Deferred revenues - operating	2,640,886	703,417
Employee future benefits payable	(2,222,105)	(1,871,866)
Prepaid expenses	727,533	766,641
	6,117,727	32,438,419
Capital transactions		
Proceeds on sale of tangible capital assets	5,308,414	-
Acquisition of tangible capital assets (Note 10)	(55,177,794)	(51,470,046)
	(49,869,380)	(51,470,046)
Investing transactions		
Decrease (increase) in long term investments	22,299	(250,000)
Financing transactions		
Debt repaid and sinking fund contributions	(25,268,812)	(6,867,959)
Net long-term liabilities issued	45,887,953	49,718,125
Decrease in temporary borrowing	(2,524,847)	(65,830,923)
Additions to deferred capital contributions (Note 8)	37,356,233	46,867,979
Increase in deferred revenues - capital	4,725,066	3,182,636
Accounts receivable - Government of Ontario	10,927,849	(8,615,994)
	71,103,442	18,453,864
Change in cash and cash equivalents	27,374,088	(827,763)
Opening cash and cash equivalents	5,623,197	6,450,960
Closing cash and cash equivalents	32,997,285	5,623,197

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

Halton District School Board

Consolidated statement of changes in net debt year ended August 31, 2014

	2014	2013
	\$	\$
Annual surplus	16,112,069	21,817,216
Tangible capital asset activity		
Acquisition of tangible capital assets (Note 10)	(55,177,794)	(51,470,046)
Sale of asset - net	1,185,746	-
Amortization of tangible capital assets (Note 10)	24,486,147	22,715,787
	(29,505,901)	(28,754,259)
Other non-financial asset activity		
Acquisition of prepaid expenses	(812,463)	(917,728)
Use of prepaids	1,539,996	1,684,369
	727,533	766,641
Increase in net debt	(12,666,299)	(6,170,402)
Net debt, beginning of year	(541,481,086)	(535,310,684)
Net debt, end of year	(554,147,385)	(541,481,086)

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

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

1. Significant accounting policies

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

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 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 Canadian public sector accounting standards which require that:

- government transfers, including amounts previously recognized as tax revenue, 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.

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 (Note 18);
- Fast Track Community Centre for Skills Development and Training ("The Centre"); and
- 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.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

1. Significant accounting policies (continued)

Reporting entity (continued)

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

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.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and demand deposits.

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.

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, 2014

1. Significant accounting policies (continued)

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 (DCC) 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; and
- Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

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, carry-over sick leave and long term disability benefits. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and post-retirement health 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 benefits 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 were actuarially determined using the employee's salary, banked sick days and years 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 were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service 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 post-retirement health and dental benefits, 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. The changes to the post-retirement health and dental plan resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change were recognized as at August 31, 2012.

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 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.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

1. Significant accounting policies (continued)

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.

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 form part of the respective deferred revenue balances

Long-term debt

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

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. Also included are the approved budgets for the Fast Track Centre for Skills Development and Training and Halton Learning Foundation. Budget figures in the consolidated statement of changes in net debt have not been provided.

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. Accounts receivable - Government of Ontario

The Government of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. Halton District School Board received a one-time grant that recognized 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 Government of Ontario of \$319,554,028 (2013 - \$330,481,877) with respect to capital grants.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

3. Investments

Investments consist of guaranteed investment certificates with a Canadian chartered bank in the amount of \$227,701 (2013 - \$250,000) which earn interest between 2.20% and 2.75% and mature in October 2015, 2016, 2017 and 2018.

4. 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 \$115 million with the bank to address operating requirements, bridge capital expenditures and education development charges outstanding. As at August 31, 2014, there were no bankers' acceptances outstanding (2013 - \$500,000 bearing interest at a rate of 1.92%), as well as outstanding cheques of \$41,741 (2013 - \$2,066,588).

Other liabilities includes an operating loan payable (due on demand) of \$1,740,977, bearing interest at 4.64%, repayable in monthly payments of principal and interest of \$76,098, with a maturity date of August 2016.

5. Net long-term liabilities

Net long-term liabilities on the consolidated statement of financial position is comprised of Ontario Financing Authority (OFA) and Ontario School Boards Financing Corporation (OSBFC) debentures as follows:

	2014	2013
	\$	\$
Debtentures		
OSBFC, Series 2003-A2, 5.800%, maturing November 2028	20,873,037	21,771,442
OSBFC, Series 2004-A1, 5.483%, maturing November 2028	31,008,307	32,252,092
OSBFC, Series 2005-A1, 4.789%, maturing August 2030	9,224,471	9,601,030
OFA, Bylaw 06090, 4.560%, maturing November 2031	16,340,697	16,940,395
OFA, Bylaw 08012, 4.950%, maturing March 2033	32,938,388	33,987,226
OFA, Bylaw 09037, 5.062%, maturing March 2034	1,076,091	1,107,069
OFA, Bylaw 09036, 5.062%, maturing March 2034	5,820,587	5,988,147
OFA, Bylaw 09125, 5.384%, maturing May 2034	8,912,562	9,156,070
OFA, Bylaw 10052, 5.232%, maturing May 2035	12,022,927	12,334,199
OFA, Bylaw 10107, 4.947%, maturing May 2035	19,067,040	19,574,919
OFA, Bylaw 11034, 4.833%, maturing March 2035	18,537,635	19,008,729
OFA, Bylaw 11155, 3.97%, maturing November 2036	15,145,734	15,556,379
OFA, Bylaw 12024, 3.564%, maturing March 2037	18,818,715	19,346,054
OFA, Bylaw 13030, 3.799%, maturing March 2038	48,485,376	49,718,125
OFA, Bylaw 13120 4.037%, maturing October 2028	17,072,241	-
OFA Bylaw 14025, 4.003%, maturing March 2039	28,383,966	-
Sinking fund debtentures		
OSBFC, Series 2003-A1, 5.300%, principal repayable November 2013	-	21,829,730
	303,727,774	288,171,606
Deduct: sinking fund assets	-	5,062,973
Net long-term liabilities	303,727,774	283,108,633

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

5. Net long-term liabilities (continued)

The OSBFC debenture, Series 2003-A1, 5.300%, net of its related sinking fund asset has been refinanced through the Ontario Financing Authority as required by the Ministry of Education and approved by the Board of Trustees in October 2013.

Of the net long-term liabilities outstanding of \$303,727,774 principal plus interest payable over the next five years and subsequent payments to maturity are as follows:

	Principal	Interest	Total
	\$	\$	\$
2014/15	10,036,636	13,832,405	23,869,041
2015/16	10,511,073	13,357,968	23,869,041
2016/17	11,008,459	12,860,582	23,869,041
2017/18	11,529,928	12,339,113	23,869,041
2018/19	12,076,671	11,792,370	23,869,041
Total	55,162,767	64,182,438	119,345,205
Thereafter	248,565,007	96,880,860	345,445,867
Net long-term liabilities	303,727,774	161,063,298	464,791,072

Included in net long-term liabilities are outstanding debentures of \$nil (2013 - \$21,829,730) secured by sinking fund assets with a carrying value of \$nil (2013 - \$5,062,973) and a market value of \$nil (2013 - \$5,062,973). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds.

Interest payments on long-term liabilities amounted to \$13,630,540 (2013 - \$12,771,749).

6. 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:

	2014	2013
	\$	\$
Principal payments on long-term liabilities including contributions to sinking funds	25,268,812	6,867,959
Interest payments on long-term liabilities	13,630,540	12,771,749
Interest payments on temporary financing of capital projects	439,661	981,180
	39,339,013	20,620,888

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows in total of \$ 25,268,812 (2013 - \$6,867,959) are principal payments on long-term debt of \$8,502,049 (2013 - \$6,510,461), sinking fund contributions and interest of \$ 311,504 (2013 - \$357,498) and sinking fund retirement and refinancing of \$16,455,259 (2013 - \$nil).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

7. 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 set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2014 is comprised of:

	Balance as at August 31, 2013	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2014
	\$	\$	\$	\$	\$
Renewable					
energy - capital	142,792	-	-	-	142,792
School renewal	4,385,894	8,192,897	3,598,862	4,498,400	4,481,529
School condition					
improvement	1,587,812	2,706,273	-	3,549,070	745,015
Special education	2,669,658	79,175,503	79,680,627	-	2,164,534
Green schools pilot	13,646	-	-	13,646	-
Legislative grants	1,047,200	30,929,185	27,136,997	3,193,229	1,646,159
Other Provincial grants	21,674	5,134,385	5,106,163	-	49,896
Other Ministry of					
Education grants	-	32,806,876	30,052,319	-	2,754,557
Education development					
charges	-	8,412,662	8,412,662	-	-
Other third party	226,013	6,874,153	6,367,794	143,130	589,242
Proceeds of disposition	9,020,479	5,239,289	267,701	84,671	13,907,396
Total deferred revenue	19,115,168	179,471,223	160,623,125	11,482,146	26,481,120

During the year, revenues received for recoverable projects of \$2,113,832 were reclassified from Other liabilities to Deferred revenue per Ministry of Education direction.

8. 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.

	2014	2013
	\$	\$
Balance, beginning of year	506,683,159	482,068,339
Net additions to deferred capital contributions	37,356,233	46,867,979
Deferred capital contributions - grants recognized	(23,991,200)	(22,253,159)
	520,048,192	506,683,159

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

9. Retirement and other employee future benefits

						2014	2013
	Retirement	Post	Workers'	Carry-over	Long-term	Total	Total
	benefits	retirement	safety	sick leave	disability	employee	employee
		benefits	insurance	benefits	plans	future	future
			board			benefits	benefits
	\$	\$	\$	\$	\$	\$	\$
Accrued employee future benefit obligations	31,922,163	415,759	4,082,913	272,708	304,166	36,997,709	37,815,990
Unamortized actuarial (losses) gains	(541,866)	-	-	-	-	(541,866)	861,958
Employee future benefits liability	31,380,297	415,759	4,082,913	272,708	304,166	36,455,843	38,677,948

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$6,881,211 at August 31, 2014 (2013 - \$6,881,211).

						2014	2013
	Retirement	Post	Workers'	Carry-over	Long-term	Total	Total
	benefits	retirement	safety	sick leave	disability	employee	employee
		benefits	insurance	benefits	plans	future	future
			board			benefits	benefits
	\$	\$	\$	\$	\$	\$	\$
Change in accrued benefit obligations due to plan curtailments and data corrections	-	-	-	-	-	-	886,413
Recognition of unamortized actuarial (gains) losses on plan curtailments	(105,026)	7,400	-	64,160	-	(33,466)	(42,511)
Total recognized curtailment (gains) losses	(105,026)	7,400	-	64,160	-	(33,466)	843,902
Current year benefit cost	-	-	1,819,718	272,708	113,686	2,206,112	794,660
Interest on accrued benefit obligation	1,072,479	14,917	100,203	-	10,060	1,197,659	1,155,506
Employee future benefits expense	967,453	22,317	1,919,921	336,868	123,746	3,370,305	2,794,068

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

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

9. Retirement and other employee future benefits (continued)

Plan changes

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

Post-retirement health and dental benefits have been grandfathered to certain existing retirees and employees who have retired prior to September 1, 2013. Effective September 1, 2013, any new retiree accessing Health Care Benefits paid the full premiums for such benefits and are included in a separate experience pool that is self-funded.

Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2014 are based on actuarial valuations completed for accounting purposes as at August 31, 2014. These actuarial 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:

	2014	2013
	%	%
Inflation		
Retirement gratuities	2.00	2.00
Healthcare cost escalation		
Dental	4.80	4.75
Health	8.80	8.75
Discount on accrued benefit obligaton		
Retirement gratuities	2.85	3.40
Post-retirement benefits	2.85	3.40

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.

During the year ended August 31, 2014, the employee contributions to this plan were \$39,850,819 (2013 - \$36,933,422).

Ontario Municipal Employees Retirement System

All permanent non-teaching employees of the Board are eligible to be members of 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, 2014, the Board contributed \$7,465,939 (2013 - \$6,811,512) 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, as these obligations are a direct responsibility of OMERS.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

9. Retirement and other employee future benefits (continued)

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. As a result of the 2012 plan change, the amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012. Retirement gratuities paid or payable in respect of employees who retired in 2014 amounted to \$967,453 (2013 - \$1,845,793).

Post-retirement benefits

The Board continues to provide post-retirement health and dental benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, no longer qualify for board subsidized premiums or contributions.

Other employee future benefits

Workers' Safety Insurance Board

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act ("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. Plan changes made in 2012 required school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreements included such provisions.

As of August 31, 2014, these obligations, as actuarially determined, amounted to \$4,082,913 (2013- \$3,304,804) and are included in Employee Future Benefits Payable. The change in this amount from the previous year has been reflected in the Statement of Operations.

Workers' compensation benefits expensed due to claims settled during the year amounted to \$668,684 (2013 - \$857,199).

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.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

9. Retirement and other employee future benefits (continued)

Sick leave top-up benefits

As a result of changes made in 2013 to the short term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$336,868 (2013-\$430,804).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2014. This actuarial valuation is based on assumptions about future events.

10. Tangible capital assets

	Balance at September 1, 2013	Additions and betterments	Disposals	Transfer to/ from construction in progress	Cost Balance at August 31, 2014
	\$	\$	\$	\$	\$
Halton District School Board					
Land	144,929,753	15,765,885	278,678	10,669	160,427,629
Land improvements	22,449,709	3,994,316	-	-	26,444,025
Buildings (40 yrs)	611,129,273	16,911,970	-	20,540,457	648,581,700
Other Buildings	-	112,268	-	-	112,268
Portable structures	8,900,322	-	-	-	8,900,322
Construction in progress	20,540,457	12,255,769	-	(20,316,860)	12,479,366
Pre-acquisition costs - land	11,888	73,776	-	(10,669)	74,995
Pre-acquisition costs - building	223,597	510,105	-	(223,597)	510,105
Equipment (5 years)	211,800	38,605	71,635	-	178,770
Equipment (10 years)	1,649,347	514,628	144,049	-	2,019,926
Equipment (15 years)	332,741	146,310	-	-	479,051
First time equipping	13,666,145	2,137,580	2,046,550	-	13,757,175
Furniture	318,828	113,316	-	-	432,144
Computer hardware	6,305,967	2,257,294	1,001,338	-	7,561,923
Computer software	2,378,434	315,110	823,447	-	1,870,097
Asset permanently removed from service					
Buildings (40 years)	1,664,984	-	1,490,620	-	174,364
	834,713,245	55,146,932	5,856,317	-	884,003,860
The Centre					
Computers	-	30,114	-	-	30,114
Leasehold improvements	821,158	-	-	-	821,158
Equipment and furniture	907,667	-	-	-	907,667
	1,728,825	30,114	-	-	1,758,939
Halton Learning Foundation					
Computers	4,338	748	-	-	5,086
Furniture and fixtures	2,104	-	-	-	2,104
	6,442	748	-	-	7,190
Total	836,448,512	55,177,794	5,856,317	-	885,769,989

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

10. Tangible capital assets (continued)

	Balance at		Disposals, write offs and adjustments	Transfer to assets held for sale	Accumulated amortization		Net book value	
	September 1, 2013	Amortization			Balance at August 31, 2014	2014	2013	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Halton District School Board								
Land	-	-	-	-	-	160,427,629	144,929,753	
Land improvements	4,586,426	1,650,764	-	-	6,237,190	20,206,835	17,863,283	
Buildings (40 yrs)	153,357,671	18,893,767	-	-	172,251,438	476,330,262	457,771,602	
Other Buildings	-	2,807	-	-	2,807	109,461	-	
Portable structures	4,480,118	455,288	-	-	4,935,406	3,964,916	4,420,204	
Construction in progress	-	-	-	-	-	12,479,366	20,540,457	
Pre-acquisition costs - land	-	-	-	-	-	74,995	11,888	
Pre-acquisition costs - building	-	-	-	-	-	510,105	223,597	
Equipment (5 years)	119,367	39,056	71,635	-	86,788	91,982	92,433	
Equipment (10 years)	635,574	183,468	144,049	-	674,993	1,344,933	1,013,773	
Equipment (15 years)	38,556	18,337	-	-	56,893	422,158	294,185	
First time equipping	5,242,212	1,371,166	2,046,550	-	4,566,828	9,190,347	8,423,933	
Furniture	100,963	37,548	-	-	138,511	293,633	217,865	
Computer hardware	3,196,619	1,386,787	1,001,338	-	3,582,068	3,979,855	3,109,348	
Computer software	1,417,525	424,852	823,447	-	1,018,930	851,167	960,909	
Asset permanently removed from service								
Buildings (40 years)	583,552	-	583,552	-	-	174,364	1,081,432	
	173,758,583	24,463,840	4,670,571	-	193,551,852	690,452,008	660,954,662	
The Centre								
Computers	-	836	-	-	836	29,278	-	
Leasehold improvements	728,774	20,723	-	-	749,497	71,661	92,384	
Equipment and furniture	907,667	-	-	-	907,667	-	-	
	1,636,441	21,559	-	-	1,658,000	100,939	92,384	
Halton Learning Foundation								
Computers	3,568	525	-	-	4,093	993	770	
Furniture and fixtures	1,633	223	-	-	1,856	248	471	
Total foundation	5,201	748	-	-	5,949	1,241	1,241	
Total	175,400,225	24,486,147	4,670,571	-	195,215,801	690,554,188	661,048,287	

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

10. Tangible capital assets (continued)

a) Assets under construction

Assets under construction having a value of \$13,064,466 (2013 - \$20,775,942) 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. \$174,364 related to building has been included in the net book value ending balance as of August 31, 2014 (2013 - \$1,081,432).

11. Accumulated surplus

Accumulated surplus consists of the following:

	2014	2013
	\$	\$
Non-designated surplus	10,579,418	8,529,423
Amounts internally restricted for future use of the Board		
Retirement gratuities	6,881,211	6,881,211
Fast Track Centre for Skills and Development & Training	1,393,953	1,167,643
Halton Learning Foundation	1,099,517	1,131,614
Other operating	6,252,051	6,095,575
Accommodation	20,744,601	20,442,434
Committed capital projects and sinking fund interest	10,093,922	9,514,038
	46,465,255	45,232,515
Unavailable for Compliance		
Employee future benefits	(28,494,415)	(33,072,061)
Interest accrual	(4,080,234)	(4,025,441)
	(32,574,649)	(37,097,502)
Revenues recognized for land		
Land (Note 10)	160,427,629	144,929,753
Pre-acquisition costs - land (Note 10)	74,995	11,888
Education development charges outstanding (i)	(51,659,354)	(44,282,045)
	108,843,270	100,659,596
School generated funds	5,193,899	5,071,092
Total accumulated surplus	138,507,193	122,395,124

- (i) The Education Act, Part IX, Division E and Ontario Regulation 20/98 (amended by Ontario Regulation 95/02) provide requirements for determining a board's eligibility to impose Education Development Charges ("EDC") on new development, and the calculation of these charges. The accumulated eligible education development charge expenditures may be included in cash and cash equivalents or temporary borrowing on the consolidated statement of financial position. Interest on education development charges outstanding amounted to \$673,791 (2013 - \$786,070).

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

12. Expenses by object

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

	Budget	2014 Actual	2013 Actual
	\$	\$	\$
Salary and wages	420,096,992	415,723,945	399,037,310
Employee benefits	67,162,580	68,828,206	62,860,319
Staff development	3,859,455	4,972,964	4,255,947
Supplies and services	66,389,697	58,039,204	49,771,115
Interest charges on capital	14,024,770	14,743,992	14,538,999
Rental expenses	182,547	138,510	900,843
Fees and contract services	33,515,325	36,022,292	32,352,899
Other	14,505,654	19,961,370	18,262,433
Amortization of tangible capital assets	23,984,064	24,486,143	22,715,787
Total	643,721,084	642,916,626	604,695,652

13. 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, 2016.

14. 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, construction, and portables, totaling \$14,939,388.

Fiscal year ending August 31	\$
2015	10,446,432
2016	1,839,981
2017	1,365,967
2018	734,958
2019	552,050

- b) As of August 31, 2014 the Board had guarantees outstanding of \$1,555,105 (2013 - \$2,481,825) relating to construction projects in progress.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

14. Contractual obligations and contingent liabilities (continued)

- c) 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, 2014 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.

15. 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. 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.

Prior to September 1, 2013 HSTS also included Le Conseil Scolaire de district Catholique du Centre-Sud and Conseil Scolaire Viamonde. These school boards withdrew their membership from HSTS effective August 31, 2013.

The following provides condensed financial information:

	2014		2013	
	Total	Board portion	Total	Board portion
	\$	\$	\$	\$
Financial position				
Financial assets	209,082	138,266	428,457	264,101
Liabilities	304,627	201,450	565,992	348,877
Non-financial assets	96,305	63,686	138,295	85,245
Accumulated surplus	760	502	760	469
Operations				
Revenues	20,541,234	14,224,147	21,556,310	13,786,171
Expenditures	20,541,234	14,224,147	21,556,310	13,786,171
Annual surplus	-	-	-	-

16. 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 not permanently financed 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 not permanently financed debt is no longer reflected in the Board's financial position.

Halton District School Board

Notes to the consolidated financial statements

August 31, 2014

17. Funds administered by the Board

Trust funds administered by the Board amounted to \$4,150,780 (2013 - \$4,267,611). 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	2014 Total	2013 Total
	\$	\$	\$	\$	\$
Opening balance at September 1, 2013	2,207,292	771,632	1,288,687	4,267,611	4,181,588
Capital received in 2014	191,993	3,755	508,837	704,585	552,478
Earnings on investments in 2014	31,115	10,523	3,085	44,723	54,852
	2,430,400	785,910	1,800,609	5,016,919	4,788,918
Disbursements in 2014	244,214	32,310	589,615	866,139	521,307
Closing balance at August 31, 2014	2,186,186	753,600	1,210,994	4,150,780	4,267,611

18. Subsequent events

In September 2014 the Board entered into an agreement for the construction of an elementary public school in Milton. The Board of Trustees approved a budget of \$14,579,376.

On September 17, 2014 the Board of Trustees agreed to enter into an Agreement of Purchase and Sale with Mattamy Development Corporation for the North East Oakville Public School site.

The Halton Learning Foundation signed a Memorandum of Understanding (MOU) with the Halton District School Board that is effective September 1, 2014. The MOU outlines the means by which the Halton Learning Foundation will increase its operational independence as a separate and distinct legal entity, while continuing to work cooperatively with the Halton District School Board to acquire and allocate resources to enrich educational opportunities and eliminate economic barriers to learning for Halton District School Board students. The MOU expires on August 31, 2019 and may be terminated by either party with six months written notice.

19. Comparative figures

Certain of the comparative figures have been reclassified to conform with current year presentation.