Consolidated Financial Statements of

HALTON CATHOLIC DISTRICT SCHOOL BOARD

For the year ended August 31, 2010

STATEMENT OF MANAGEMENT RESPONSIBILITY

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AUDITORS' REPORT

To the Trustees of the
Halton Catholic District School Board:

We have audited the consolidated statement of financial position of the Halton Catholic District School Board as at August 31, 2010 and the consolidated statements of financial operations, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Board's management. 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 plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Halton Catholic District School Board as at August 31, 2010 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Li A1 Tc.07tcpnts,Tubistrntants

HALTON CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

For the year ended August 31, 2010, with comparative figures for the year ended August 31, 2009

	2009-10	2008-09
Annual surplus (deficit)	$ 184,061,662	$ (7,523,242)
Acquisition of tangible capital assets	(44,805,751)	(44,108,047)
Amortization of tangible capital assets	11,616,035	10,767,754
(Gain)/loss on sale of tangible capital assets	(3,736,270)	7,008,135
Proceeds on sale of tangible capital assets	5,012,710	-
Change in net debt	152,148,386	(33,855,400)
Net debt, beginning of year	(233,704,570)	(199,849,170)
Net debt, end of year	$ (81,556,184)	$(233,704,570)

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

HALTON CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

For the year ended August 31, 2010, with comparative figures for the year ended August 31, 2009

	2009-10	2008-09 (Restated -note 2)
Cash provided by (used in):		
Operating Activities:		
Annual surplus (deficit)	$184,061,662	$ (7,523,242)
Items not involving cash:		
Amortization	11,616,035	10,767,754
(Gain) loss on sale of tangible capital assets	(3,736,270)	7,008,135
Change in employee benefits	1,531,037	2,247,479
Change in non-cash assets and liabilities:		
Accounts receivable	(178,737,325)	6,847,774
Accounts payable and accrued liabilities	(2,146,506)	1,484,869
Deferred revenue	(114,423)	101,507
Net change in cash from operating activities	12,474,210	20,934,276
Capital Activities:		
Proceeds on sale of tangible capital assets	5,012,710	-
Cash used to acquire tangible capital assets	(44,805,751)	(44,108,047)
Net change in cash from capital activities	(39,793,041)	(44,108,047)
Financing Activities:		
Long-term liabilities issued	24,222,255	27,247,335
Debt principal repayments and sinking fund contributions	(7,153,498)	(5,781,566)
Net change in cash from financing activities	17,068,757	21,465,769
Net change in cash and cash equivalents	(10,250,074)	(1,708,002)
Cash and cash equivalents, beginning of year	3,600,130	5,308,132
Cash and cash equivalents, end of year	$ (6,649,944)	$ 3,600,130

The components of cash and cash equivalents are as follows:

	2010	2009
Cash and cash equivalents	$ 3,407,165	$13,654,643
Temporary borrowings	(10,057,109)	(10,054,513)
	$ (6,649,944)	$ 3,600,130

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

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1. Significant accounting policies:

The consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

(a) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities:

x Foundation for Excellence in Catholic Education

x School Generated Funds

Proportionately consolidated entities:

x Halton Student Transportation Services

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

(b) 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.

(c) Basis of accounting:

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accountingd tmeonifzs eevenues a5.9(ea)]TJ219.82340 TD.0005 Tc.037 Tw[(Sthey)are elarne and w

1. Significant accounting policies (continued):

(e) Deferred revenue:

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

(f) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance and heath care benefits, death benefit gratuity, workers' compensation, long-term disability and sick leave 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 benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at death, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as death benefit gratuities and life insurance and health care benefits for retirees, 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. Employee future benefits for sick leave that accumulate but do not vest have also been actuarially determined using the projected benefits method. 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 from time to time, such as obligations for workers' compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees' Retirement System pensions, are the employer's contributions due to the plan in the period.

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

1. Significant accounting policies (continued):

(g) 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:

Land improvements with finite lives	15 years
Buildings	40 years
Furniture & equipment	5 to 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction 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 net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Building permanently removed from service ceases to be amortized and the carrying value is written down to its residual value.

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

(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, any eligibility criteria have been met and reasonable estimates of the amount can be made.

1. Significant accounting policies (continued):

(i) Provincial legislative grants:

The legislative grant calculations are prepared annually by the Board and submitted to the Ministry of Education for final approval. Adjustments, if any, will be recorded in the year in which they are made.

(j) 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.

(k) Net long-term liabilities:

Net long-term liabilities is recorded net of related sinking fund balances.

(l) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending with the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles established by the Public Sector Accounting Board, 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.

(m) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. Accounts subject to significant estimates include assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities.

3. Accounts receivable:

Accounts receivable consists of the following:

	2010	2009
Government of Canada	$ 1,947,323	$ 810,023
Government of Ontario	1,827,102	487,813
Local governments	9,749,698	9,641,088
Other	1,729,993	1,226,130
	$ 15,254,116	$12,165,054

4. Long-term accounts receivable – Government of Ontario:

The Province of Ontario has replaced variable capital funding with a one-time debt support grant. The Board will receive a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive this grant in cash over the remaining term of the existing capital debt instruments.

The Board has an account receivable from the Province of Ontario of $175,648,263 as at August 31, 2010 with respect to this one-time grant.

5. Temporary borrowing:

The Board has lines of credits available to the maximum of $11,840,375 to address operating requirements and to bridge capital expenditures.

Interest on the operating facilities range from 1% to the bank’s prime lending rate less 0.5%. All loans are unsecured, due on demand and are in the form of bankers’ acceptance notes and bank overdrafts.

As at August 31, 2010, the amount drawn under the bankers’ acceptance facility was $10,000,000 (2009- $10,000,000) at a rate of 2.25%.

6. 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, 2010 is comprised of:

	Balance as at August 31,	Externally restricted	Revenue recognized	Balance as at August 31,

7. Retirement and other employee future benefits (continued):

Retirement benefits:

(i) Death benefit gratuities:

The Board provides a death benefit gratuity if an employee deceases prior to termination or retirement. The amount of the death benefit gratuity paid is based on the salary and accumulated sick days at death. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

(ii) Retirement life insurance and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. These post-retirement benefits are available to management and non-union staff who may elect to continue coverage of life insurance, dental and health care benefits should they wish. With the exception of senior staff, the Board is reimbursed for the premium cost. 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.

Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

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. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are accrued in the Board's consolidated financial statements.

The total amount of the future benefit obligation at year end, as actuarially determined is $1,561,261 (2009 - $1,331,344). Included in the obligation is $1,292,118 to allow for pending charges assessed by the Workers' Safety and Insurance Board for claims prior to September 2010. Also included in the provision is $269,143 for an actuarial estimate of contingent liabilities for future awards of claims currently being assessed by the Workers' Safety Insurance Board.

The Board contracted third party co-insurance coverage under which the Board receives reimbursement from the insurer for individual workers' compensation claims assessments over $300,000 and less than $10,000,000.

7. Retirement and other employee future benefits (continued):

(ii) Long-term disability benefits:

The Board provides long-term disability benefits including partial salary compensation and payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date. The Board provides these benefits through group benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

(iii) Sick leave benefits:

The Board has accrued for sick leave that accumulates but does not vest.

The accrued benefit obligations for employee future benefit plans as at August 31, 2010 are based on the actuarial valuation for accounting purposes as at August 31, 2010. 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:

	%
Inflation	0.0
Wage and salary escalation	2.35 – 3.00
Insurance and health care cost escalation	9.0 decreasing to 4.5 over 21 years
Dental cost escalation	6.0 decreasing to 4.5 over 5 years
Discount on accrued benefit obligations	4.75

8. Net long-term liabilities:

Net long-term liabilities reported on the statement of financial position includes debentures issued on behalf of the Board by the Regional Municipality of Halton prior to 1998, amortizing and sinking fund debentures issued on behalf of the Board by Ontario School Board Financial

8. Net long-term liabilities (continued):

Sinking fund debentures:

OSBFC (2000) - A2, repayable in semi- annual installments of $385,600 plus interest at 6.3% per annum, maturing September 22, 2010	36,808,000	36,808,000
OSBFC (2001) - A1, repayable in semi-annual installments of $208,400 plus interest at 5.9% per annum, maturing October 19, 2011	19,889,010	19,889,010
OSBFC (2004) - A1, repayable in semi-annual installments of $26,300 plus interest at 5.3% per annum, maturing November 7, 2013	3,842,030	3,842,030
	60,539,040	60,539,040
Less: Sinking fund assets	(14,080,038)	(11,935,070)
	46,459,002	48,603,970
	$ 200,876,105	$ 183,807,348

Principal payments relating to net debt of $200,876,105 are due as follows:

	Principal and sinking fund contributions	Interest	Total
2010/11	$ 5,931,807	$ 11,538,063	$ 17,469,870
2011/12	5,445,374	9,507,098	14,952,472
2012/13	5,331,072	8,617,946	13,949,018
2013/14	5,652,245	8,194,962	13,847,207
2014/15	5,940,797	7,752,042	13,692,839
Thereafter	172,574,810	64,187,976	236,762,786
	$ 200,876,105	$ 109,798,087	$ 310,674,192

Included in net long-term liabilities are out

9. Tangible capital assets (continued):

Year ended August 31, 2009

	Cost				Accumulated Amortization					
	Balance at August 31, 2008	Additions and transfers	Disposals	Balance at August 31, 2009	Balance at August 31, 2008	Amortization	Disposals write offs and adjustment	Balance at August 31, 2009	Net book value August 31, 2009	Net book value August 31, 2008
Land	$ 66,627,317	$ 11,148,444	$ -	$ 77,775,761	$ -	$ -	$ -	$ -	$ 77,775,761	$ 66,627,317
Land improvements	403,907	6,219,342	-	6,623,249	13,464	234,295	-	247,759	6,375,490	390,443
Buildings	348,733,140	21,431,849	(8,702,600)	361,462,389	53,564,286	9,015,677	(1,840,478)	60,739,485	300,722,904	295,168,854
Construction in progress	1,451,328	3,654,668	-	5,105,996	-	-	-	-	5,105,996	1,451,328
Furniture and equipment	9,242,196	1,138,966	(838,531)	9,542,631	4,598,366	903,648	(796,605)	4,705,409	4,837,222	4,643,830
Computer hardware	2,924,473	390,715	(847,558)	2,467,630	1,606,264	454,455	(762,800)	1,297,919	1,169,711	1,318,209
Computer software	770,914	225,065	(151,247)	844,732	357,452	146,440	(136,123)	367,769	476,963	413,462
Vehicles	138,729	-	(81,731)	56,998	87,262	13,239	(77,526)	22,975	34,023	51,467
Pre-acquisition costs (PAC)	319,008	(101,002)	-	218,006	-	-	-	-	218,006	319,008
Leasehold Improvements	1,454,370	-	-	1,454,370	1,454,370	-	-	1,454,370	-	-
	$ 432,065,382	$ 44,108,047	$(10,621,667)	$465,551,762	$61,681,464	$10,767,754	$ (3,613,532)	$68,835,686	$396,716,076	$ 370,383,918

9. Tangible capital assets (continued):

(a) Assets Under Construction:

Assets under construction having a value of $26,705,786 (2009 - $5,105,996) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of Tangible Capital Assets:

The write-down of tangible capital assets during the year was nil (2009 - $8,702,600).

(c) Asset inventories for resale (assets permanently removed from service):

The board has identified no land or building properties that qualify as “assets permanently removed from service”.

10. Accumulated Surplus:

	2010	2009
Non-designated surplus	$ -	$ 88,048
Amounts restricted for future use of the Board:		
Working funds	601,173	775,685
Student success	371,701	152,201
PDSS	100,604	60,351
School budgets	1,212,321	1,174,145
Capital for new pupil places	20,480,356	19,130,181
School renewal program	9,777,217	9,377,824
All weather turf	1,809,252	1,174,512
Learning environmental improvement program	319,930	496,681
	34,672,554	32,341,580
Amounts to be recovered:		
Employee future benefit	(37,738,839)	(36,437,719)
Interest accrual	(4,114,359)	(3,900,822)
Vacation accrual	(561,821)	(290,668)
Net long-term liabilities	(200,876,105)	(183,807,348)
Amounts not permanently financed	(52,475,353)	(44,257,998)
	(295,766,477)	(268,694,555)
Other:		
School generated funds	2,178,836	2,126,156
Investment in tangible capital assets	428,629,352	396,716,076
Accounts receivable – Province of Ontario	175,648,263	-
Amounts for school capital purposes	1,710,640	434,201
	608,167,091	399,276,433
Balance, end of year	$ 347,073,168	$ 163,011,506

13. Partnership in Halton Student Transportation Services:

On September 1, 2007, the Board entered into an agreement with Halton District School Board, Le Conseil scolaire de district Catholique due Centre-Sud and Le Conseil scolaire de district due Centre-Sud-Ouest to provide common administration of student transportation services. On February 10, 2009, Service de Transport des Eleves de Halton/ Halton Student Transportation Services ("HSTS") was incorporated under the Corporations Act of Ontario. A revised agreement dated April 17, 2009 was created in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the School Boards. Each Board participates in the shared costs associated with this service for the transportation of their respective students through HSTS.

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

Transportation services for the Board are provided by HSTS. Under the agreement created at the time HSTS was established, decisions related to the financial and operating activities of HSTS are shared and no partner is in a position to exercise unilateral control. The operations of HSTS have been included in these financial statements based on the share of net operating expenditures contributed by the Board during the fiscal period being reported. The Board's proportionate share of expenses have been reimbursed to HSTS, resulting in no change to the net financial activities of the Board.

The following provides condensed financial information of HSTS:

	2010		2009	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	$ 76,288	$ 23,408	$ 110,857	$ 35,677
Financial liabilities	(76,243)	(23,394)	(110,857)	(35,677)
Non-Financial assets	5,528	1,696	760	245
Accumulated surplus	5,573	1,710	760	245
Operations:				
Revenues	18,481,031	5,670,717	18,433,816	5,932,598
Expenses	18,482,406	5,671,139	18,433,816	5,932,598
Annual deficit	$ (1,375)	$ (422)	$ -	$ -

14. Ontario School Board Insurance Exchange (OSBIE):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act.

OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of $20,000,000 per occurrence.

16. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 budgets approved by the Board on June 16, 2009. Capitalization of assets, amortization, and gains and losses on disposal were not contemplated on development of the budget and, as such, has not been included. 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 2010 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 the Consolidated Statement of Change in Net Debt is a new statement in 2009-10 financial statements, the budget figures in that statement have not been provided.

		Budget
Revenue as approved	$	278,201,377
Expenses as approved		308,352,253
Capital expenditures		(39,167,280)
Amortization		11,616,035
Restated budget		280,801,008
Annual deficit	$	(2,599,631)

17. Future accounting for contributions used for capital:

In the Ministry of Finance Addendum to the 2010 Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management, the government provided direction to school boards on the accounting treatment of capital contributions. This addendum proposes that, effective the fiscal year beginning on September 1, 2010, school boards in Ontario will adopt accounting policies consistent with the Province of Ontario, which include a policy to recognize government transfers and external contributions used in the acquisition of tangible capital assets over the period that the asset is expected to provide service. This policy is to ensure consistency with the current practice of senior governments in Canada and other major broader public-sector organizations (hospitals, colleges and universities), and to ensure that school board operating surpluses or deficits are not distorted by capital grant revenues.

This accounting treatment is not currently a recognized option by the Public Sector Accounting Standards Board (PSAB) and could not be implemented within these financial statements.