

**The Protestant Separate School Board
of the Town of Penetanguishene
Consolidated Financial Statements
For the Year Ended August 31, 2012**

Index to Consolidated Financial Statements

Management Report	2
Independent Auditors' Report	3
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Operations	6
Consolidated Statement Change in Net Debt	7
Consolidated Statement of Cash Flow	8
Notes to Consolidated Financial Statements	9



THE PROTESTANT SEPARATE SCHOOL BOARD OF THE TOWN OF PENETANGUISHENE

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of the Protestant Separate School Board of the Town of Penetanguishene are the responsibility of the Board management and have been prepared in compliance 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 judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

The Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Hehn Trickey Professional Corporation, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Lynne Cousens
Board Chair

Sally J. Baker
Comptroller

February 11, 2013

Independent Auditors' Report

**To the Board of Trustees of
The Protestant Separate School Board
of the Town of Penetanguishene**

We have audited the accompanying consolidated financial statements of The Protestant Separate School Board of the Town of Penetanguishene, which comprise the consolidated statement of financial position as at August 31, 2012, the consolidated statements of operations, change in net debt and cash flow 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 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

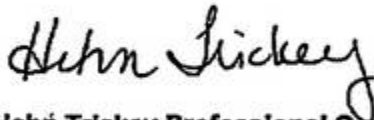
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of The Protestant Separate School Board of the Town of Penetanguishene for the years ended August 31, 2012 and August, 31, 2011 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and significant differences between such basis of accounting and Canadian public sector accounting standards.



Hehn Trickey Professional Corporation
Chartered Accountants

*Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario*

Orillia, Ontario
Report Date

**The Protestant Separate School Board
of the Town of Penetanguishene
Consolidated Statement of Financial Position
As at August 31, 2012**

	August, 31 2012	August, 31 2011
Financial Assets		
Cash	\$ 739	\$ 35,077
Investments (Note 2, Page 13)	-	306,974
Accounts receivable	130,404	85,998
Total Financial Assets	131,143	428,049
Liabilities		
Bank indebtedness (Note 4, Page 15)	-	120,000
Accounts payable and accrued liabilities	80,763	84,090
Deferred revenue (Note 5, Page 15)	119,072	134,144
Retirement and other employee future benefits payable (Note 6, Page 16)	100,115	274,166
Net long-term liabilities (Note 7, Page 19)	950	950
Total Liabilities	300,900	613,350
Net Debt	(169,757)	(185,301)
Non-Financial Assets		
Prepaid expenses	18,639	10,569
Tangible capital assets (Note 3, Page 14)	763,340	806,433
Total Non-Financial Assets	781,979	817,002
Accumulated Surplus (Note 8, Page 19)	\$ 612,222	\$ 631,701

**The Protestant Separate School Board
of the Town of Penetanguishene
Consolidated Statement of Operations
For the Year Ended August 31, 2012**

	Budget August, 31 2012	Actual August, 31 2012	Actual August, 31 2011
Revenue			
Provincial grants - Grants for Student Needs	\$ 2,595,910	\$ 2,385,795	\$ 2,220,089
Provincial grants - other	-	(4,404)	40,277
Local taxation	297,054	294,391	273,340
School generated funds	-	75,862	83,703
Investment income	-	1,211	2,237
Other fees and revenue	-	9,600	5,677
	<u>2,892,964</u>	<u>2,762,455</u>	<u>2,625,323</u>
Expenses			
Instruction	2,116,650	1,971,057	1,966,535
Administration	417,373	380,539	419,921
Transportation	124,369	112,439	86,357
Pupil accommodation	234,572	239,005	265,487
School generated funds	-	78,894	82,905
	<u>2,892,964</u>	<u>2,781,934</u>	<u>2,821,205</u>
Annual Surplus (Deficit)	-	(19,479)	(195,882)
Accumulated Surplus, Beginning of Year	796,574	631,701	827,583
Accumulated Surplus, End of Year (Note 8, Page 19)	<u>\$ 796,574</u>	<u>\$ 612,222</u>	<u>\$ 631,701</u>

**The Protestant Separate School Board
of the Town of Penetanguishene
Consolidated Statement of Change in Net Debt
For the Year Ended August 31, 2012**

	August, 31 2012	August, 31 2011
Annual surplus (deficit)	\$ (19,479)	\$ (195,882)
Tangible Capital Asset Activity		
Amortization of tangible capital assets	<u>43,093</u>	44,102
	23,614	(151,780)
Other Non-Financial Asset Activity		
Use of prepaid expenses	<u>(8,070)</u>	3,329
Decrease in Net Debt	15,544	(148,451)
Net Debt, Beginning of Year	<u>(185,301)</u>	(36,850)
Net Debt, End of Year	\$ (169,757)	\$ (185,301)

**The Protestant Separate School Board
of the Town of Penetanguishene
Consolidated Statement of Cash Flow
For the Year Ended August 31, 2012**

	August, 31 2012	August, 31 2011
Operating Activities		
Annual surplus (deficit)	\$ (19,479)	\$ (195,882)
Sources and (uses)		
Non-cash items including amortization, write downs and gain/loss on disposal	43,093	44,102
Decrease (increase) in accounts receivable	(44,407)	(17,411)
Decrease (increase) in investments	306,974	(3,816)
Increase (decrease) in accounts payable and accrued liabilities	(3,326)	(25,168)
Increase (decrease) in deferred revenues - externally restricted	(15,072)	(17,130)
Increase (decrease) in retirement and other employee future benefits payable	(174,051)	19,356
Decrease (increase) in non-financial assets - prepaid expenses	(8,070)	3,329
	<u>85,662</u>	<u>(192,620)</u>
Financing Activities		
Increase (decrease) in temporary borrowing	<u>(120,000)</u>	120,000
Decrease in Cash and Cash Equivalents During the Year	(34,338)	(72,620)
Cash and Cash Equivalents, Beginning of Year	<u>35,077</u>	<u>107,697</u>
Cash and Cash Equivalents, End of Year	<u>\$ 739</u>	<u>\$ 35,077</u>
Represented by		
Cash	\$ 739	\$ 35,077
Bank indebtedness	-	(120,000)
	<u>\$ 739</u>	<u>\$ (84,923)</u>

The Protestant Separate School Board of the Town of Penetanguishene

Notes to Consolidated Financial Statements For the Year Ended August 31, 2012

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

The 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).

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 requires that

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

The Protestant Separate School Board of the Town of Penetanguishene Notes to Consolidated Financial Statements For the Year Ended August 31, 2012

- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

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

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the School Board prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the statement of financial position as at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

(b) Reporting Entity

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

School generated funds, which include the assets, liabilities, revenues, expenditures and fund balances 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:

School Generated Funds

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

(c) 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 change in value and have a short maturity term of less than 90 days.

The Protestant Separate School Board of the Town of Penetanguishene

Notes to Consolidated Financial Statements For the Year Ended August 31, 2012

1. Significant Accounting Policies (continued)

(d) Investments

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition. They are carried on the Statement of Financial Position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.

(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 pension, life insurance and health care benefits, retirement gratuities, workers' compensation 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 benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rate, 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 life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. 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.

The Protestant Separate School Board of the Town of Penetanguishene

Notes to Consolidated Financial Statements For the Year Ended August 31, 2012

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
Portable structures	- 20 years
Computer hardware	- 5 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. Buildings permanently removed from service cease to be amortized and the carrying value is written down to the 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.

(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.

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

1. Significant Accounting Policies (continued)

(j) Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget as approved by the Board of 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. The budget figures are unaudited.

(k) 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, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported revenues and expenditures during the year. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

2. Investments

	<u>2012</u>	<u>2011</u>
Term deposits	<u>\$ -</u>	<u>\$ 306,974</u>

The term deposits have an interest rate of 1.45% and mature in November 2011.

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

3. Tangible Capital Assets

	Balance August 31, 2011	Cost Additions	Disposals	Balance August 31, 2012	Balance August 31, 2011	Accumulated Amortization Amortization	Disposals	Balance August 31, 2012	Net Book Value August 31, 2012	Net Book Value August 31, 2011
Land	\$ 1	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 1
Land improvements	51,043	-	-	51,043	13,612	3,403	-	17,015	34,028	37,431
Buildings	1,171,600	-	-	1,171,600	432,235	26,804	-	459,039	712,561	739,365
Portable structures	206,600	-	-	206,600	188,066	7,470	-	195,536	11,064	18,534
Computers	27,079	-	-	27,079	15,978	5,415	-	21,393	5,686	11,101
	\$1,456,323	\$ -	\$ -	\$1,456,323	\$ 649,891	\$ 43,092	\$ -	\$ 692,983	\$ 763,340	\$ 806,432

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

4. Bank Indebtedness

	<u>2012</u>	<u>2011</u>
Bank loan	\$ -	\$ 120,000

The Board has an authorized demand unsecured line of credit of \$375,000 at bank prime plus 0% per annum.

5. 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 Statement of Financial Position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement is comprised of:

	<u>2012</u>	<u>2011</u>
School Renewal Deferred Revenue		
Balance, beginning of year	\$ 134,144	\$ 151,274
Increase (decrease) in deferred revenue	23,928	23,979
Interest earned	1,000	1,579
Transfer from (to) operating fund	<u>(40,000)</u>	<u>(42,688)</u>
Balance, end of year	<u>\$ 119,072</u>	<u>\$ 134,144</u>

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

6. Retirement and Other Employee Future Benefits

Retirement and Other Employee Future Benefit Liabilities

	Retirement Benefits	2012 Other Employee Future Benefits	Total Employee Future Benefits	2011 Total Employee Future Benefits
Accrued employee future benefit obligations	\$ 110,115	\$ -	\$ 110,115	\$ 324,956
Unamortized actuarial gains (losses)	-	-	-	(50,790)
Employee future benefits liability	110,115	-	110,115	274,166

Retirement and Other Employee Future Benefit Expenses

	Retirement Benefits	2012 Other Employee Future Benefits	Total Employee Future Benefits	2011 Total Employee Future Benefits
Current year benefit cost	\$ 6,355	\$ 11,871	\$ 18,226	\$ 17,959
Interest on accrued benefit obligation	4,671	5,797	10,468	11,709
Recognized actuarial gains (losses)	14,347	42,410	56,757	3,075
Curtailment gain (loss)	(7,276)	(184,613)	(191,889)	-
Employee future benefits expense	\$ 18,097	\$ (124,535)	\$ (106,438)	\$ 32,743

Plan Changes

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated nonvested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provisions for accumulation of unused days.

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

The Protestant Separate School Board of the Town of Penetanguishene

Notes to Consolidated Financial Statements For the Year Ended August 31, 2012

6. Retirement and Other Employee Future Benefits (continued)

Retirement Benefits

(i) Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of Ontario's Teachers' 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.

(ii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time increase to the Board's obligation of \$7,071 and a corresponding curtailment loss was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

(iii) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 1 employer under the Workplace Safety and Insurance Act and, as such, the Board insures all claims by its injured workers under the Act. The Board's insurance premiums for the year ended August 31, 2012 were \$14,818 (2011 - \$13,979) and are included in the Board's current year benefit costs. No liabilities for claims by its injured workers under the Act are included in the Board's consolidated financial statements. The Putting Students First Act, 2012 now requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision. This resulted in no increase to the Board's obligation as at August 31, 2012.

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

6. Retirement and Other Employee Future Benefits (continued)

Other Employee Future Benefits

(i) Sick Leave Benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a onetime reduction to the obligation of \$106,429 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

(ii) Service Gratuity Benefit

As a result of the plan changes, the Board's liability related to the service gratuity benefit has been eliminated, resulting in a onetime reduction to the obligation of \$35,774 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

Actuarial Report

The accrued benefit obligations for retirement and other employee future benefit plans as at August 31, 2012 are based on actuarial valuations for accounting purposes as at August 31, 2010 as indicated in the actuarial report dated September 25, 2012.

Economic Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2012 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2012. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2012	2011
Inflation	2.0%	2.0%
Wage and salary escalation	3.0%	3.0%
Interest	4.0%	4.5%

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

7. Net Long-Term Liabilities

Net long-term liabilities reported on the Statement of Financial Position are comprised of the following:

	<u>2012</u>	<u>2011</u>
Old Debentures	\$ 950	\$ 950

These are old debentures that have never been presented nor cashed. Therefore, there is no specified principal payment date relating to the above balance.

8. Accumulated Surplus

Accumulated surplus consists of the following:

	<u>2012</u>	<u>2011</u>
Invested in tangible capital assets	\$ 763,340	\$ 806,433
Amounts restricted for future use by board		
- employee future benefits	(100,115)	(274,166)
- operating accumulated surplus (deficit)	(66,295)	81,110
- school generated funds	15,292	18,324
	<u>\$ 612,222</u>	<u>\$ 631,701</u>

**The Protestant Separate School Board
of the Town of Penetanguishene
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2012**

9. Expenses By Object

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

	Budget August, 31 2012	Actual August, 31 2012	Actual August, 31 2011
Salary and wages	\$ 1,923,452	\$ 1,943,513	\$ 1,784,658
Employee benefits	337,385	194,078	331,117
Staff development	12,175	9,000	12,404
Supplies and services	185,333	183,242	197,553
Rental expenses	56,730	53,003	49,101
Fees and contract services	285,774	277,111	319,365
Other	92,115	-	-
Amortization of tangible capital assets	-	43,093	44,102
School generated funds	-	78,894	82,905
	\$ 2,892,964	\$ 2,781,934	\$ 2,821,205

10. Ontario School Board Insurance Exchange

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.

11. Commitment

Minimum payments required under operating leases for the Board office and equipment amount to \$78,141 plus applicable taxes in aggregate with annual payments over the next three years as follows:

2013	\$ 39,068
2014	19,813
2015	<u>19,260</u>
	<u>\$ 78,141</u>
