

Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Year ended August 31, 2001



KPMG LLP

Chartered Accountants

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AUDITORS' REPORT

To the Trustees and Ratepayers of the
District School Board of Niagara

We have audited the balance sheet of the District School Board of Niagara as at August 31, 2001 and the revenue fund statement of operations and the capital fund statement of operations for the year then ended. These financial statements are the responsibility of the school board's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements present fairly, in all material respects, the financial position of the school board as at August 31, 2001 and the results of its operations for the year then ended in accordance with accounting principles disclosed in note 1 to the financial statements.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that underlines the text.

Chartered Accountants

St. Catharines, Canada

November 16, 2001

DISTRICT SCHOOL BOARD OF NIAGARA

Balance Sheet

August 31, 2001, with comparative figures for 2000

	2001	2000
Assets		
Revenue Fund		
Bank	\$ 5,097,942	\$ 5,933,013
Temporary investments, at cost	21,555,000	24,005,000
Accounts receivable:		
Municipalities	11,701,309	13,262,159
Province of Ontario	1,056,653	–
Government of Canada	36,912	283,290
Other	1,699,869	1,073,879
Inventories, at cost	506,507	379,945
Prepaid expenses	1,150,180	2,768,326
Due from capital fund	9,176,721	9,176,721
	<hr/> 51,981,093	<hr/> 56,882,333
Reserve Funds		
Due from revenue fund	26,485,535	33,094,028
	<hr/> 26,485,535	<hr/> 33,094,028
Capital Fund		
Capital outlay to be recovered in future years	10,678,951	12,226,331
	<hr/> 10,678,951	<hr/> 12,226,331
Trust Funds		
Cash and investment	1,412,099	1,676,000
Due from revenue fund	845,800	805,522
	<hr/> 2,257,899	<hr/> 2,481,522
	<hr/> \$ 91,403,478	<hr/> \$ 104,684,214

	2001	2000
Liabilities		
Revenue Fund		
Bank and other short-term borrowing	\$ 9,561,905	\$ 9,316,721
Accounts payable and accrued liabilities:		
Municipalities - other	-	52,929
Province of Ontario	-	2,345,520
Other	14,075,687	9,513,347
Due to other funds:		
Reserve funds	26,485,535	33,094,028
Trust funds	845,580	805,522
Deferred income	1,012,386	1,754,266
	<u>51,981,093</u>	<u>56,882,333</u>
Reserve Funds		
Reserves (note 3):		
Ministry special education	1,325,097	1,260,678
Other	25,160,438	31,833,350
	<u>26,485,535</u>	<u>33,094,028</u>
Capital Fund		
Due to revenue fund	9,176,721	9,176,721
Net long-term liabilities (note 4)	1,502,230	3,049,610
	<u>10,678,951</u>	<u>12,226,331</u>
Trust Funds		
Trust fund balances (note 5):		
Financed leave plan	1,407,224	1,671,125
Other	850,675	810,397
	<u>2,257,899</u>	<u>2,481,522</u>
	<u>\$ 91,403,478</u>	<u>\$ 104,684,214</u>

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Revenue Fund Statement of Operations

Year ended August 31, 2001, with comparative figures for 2000

	2001	2000
Revenue:		
Local taxation	\$ 103,831,940	\$ 107,594,560
Government of Ontario:		
Legislative grant	175,951,050	163,963,432
Other	3,660,762	2,179,429
	<u>179,611,812</u>	<u>166,142,861</u>
Government of Canada	423,991	670,936
Other:		
Tuition fees from individuals	814,395	691,818
School rentals	782,386	828,334
Proceeds on sale of property and equipment	2,927,593	1,448,632
Sundry	797,856	108,577
	<u>5,322,230</u>	<u>3,077,361</u>
	<u>289,189,973</u>	<u>277,485,718</u>
Net transfers from reserves	8,250,485	2,209
Total revenue	<u>297,440,458</u>	<u>277,487,927</u>
Expenditures:		
Classroom	187,380,804	174,534,084
Non-classroom	47,346,387	44,265,166
Administration	7,319,985	6,733,432
Pupil transportation	12,371,779	11,818,614
Pupil accommodation	30,905,420	29,241,934
Capital expenditure	10,124,957	8,500,431
Other non-operating expenditure	156,448	437,367
Charges on net long-term liabilities (note 6)	1,834,678	1,956,899
Total expenditures	<u>297,440,458</u>	<u>277,487,927</u>
Surplus, beginning of year	—	—
	<u>—</u>	<u>—</u>
Surplus, end of year	\$ —	\$ —

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Capital Fund Statement of Operations

Year ended August 31, 2001, with comparative figures for 2000

	2001	2000
Working capital derived from:		
Revenue fund	\$ 15,262,616	\$ 15,159,054
Working capital applied to:		
Additions to capital assets	15,262,616	15,159,054
Increase in unfinanced capital expenditure	–	–
Unfinanced capital expenditure, beginning of year	9,176,721	9,176,721
Unfinanced capital expenditure, end of year	\$ 9,176,721	\$ 9,176,721

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements

Year ended August 31, 2001

1. Significant accounting policies:

These financial statements have been prepared by the Board using accounting principles that are prescribed by the Ministry of Education and are considered appropriate for Ontario School Boards. These principles are in accordance with Canadian generally accepted accounting principles except as follows:

(a) Accrual accounting:

Revenue and expenditure are accounted for on the accrual basis of accounting, with the following exceptions:

- (i) No provision has been made to record the liability for employee future benefits accruing over the working lives of employees as described in the CICA Handbook – section 3461.
- (ii) No provision has been made for interest on unmatured debenture debt from the date of payment to the year-end.
- (iii) Vacation pay is recorded as a salary expense when it is paid.
- (iv) The education portion of municipal supplementary taxes and tax write-offs has not been accrued for the calendar year 2001.

(b) Capital assets:

The acquisition of capital assets is expensed unless they are or will be financed by long-term debt. Principal and interest charges on net long-term liabilities are included as expenditures in the period due.

Capital expenditures permanently financed are included on the balance sheet only to the extent of the balance of the related net long-term liabilities outstanding.

Capital expenditures not permanently financed are recorded separately on the balance sheet until permanent financing has been arranged.

(c) Reserves and reserve funds:

Reserves and reserve funds represent funds appropriated for general and specific purposes and are charged or credited to revenue fund operations in the year appropriated or drawn down. The amounts in reserves and reserve funds are approved by the Board and are within the limits defined in the Education Act and its regulations.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 2

Year ended August 31, 2001

1. Significant accounting policies (continued):

(d) Surplus (deficit) at year end:

The difference between the net expenditures of any year and the amounts received to finance these expenditures is carried forward to the subsequent year to either increase or reduce the net revenue requirement.

(e) Legislative grant:

The legislative grant is calculated based on actual expenditures. Calculations are prepared by the Board annually and submitted to the Ministry of Education. Any adjustments will be recorded in the year that they occur.

(f) Use of estimates:

The preparation of 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, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditure during the reporting period. 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.

(g) Financial instruments:

The balance sheet value for short-term investments, accounts receivable, short-term borrowing, accounts payable and accrued liabilities approximates fair value because of their limited term. The balance sheet value of the net long-term liabilities approximates fair value because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different. Fair value estimates are made as at the balance sheet date based on relevant information and information about the financial instruments.

2. Employee future benefits:

The Board has a liability related to the following unfunded employee benefit plans. The amount has not been disclosed as it has not been actuarially determined.

(a) Workers' Compensation:

The school board has assumed the liability for any cost awarded under the Workers' Compensation Act. An amount of \$3,088,443 (2000 - \$2,938,301) has been provided for this liability and is included on the balance sheet as a reserve fund. Payments charged against operations in the current year amounted to \$546,768 (2000 - \$714,550). The school board has contracted with an insurer for coverage of claims paid in excess of \$250,000 per employee accident.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 3

Year ended August 31, 2001

2. Employee future benefits (continued):

(b) Sick leave benefit plans:

Under the sick leave benefit plans, unused sick leave can accumulate and employees may become entitled to a cash payment when they retire or leave the Board's employment.

The Board has established a reserve of \$5,630,079 (2000 - \$ 10,587,000) to finance this future liability.

The amount paid and expensed in revenue fund statement of operations under all plans in 2001 was \$8,275,245 (2000 - \$4,547,747).

(c) Health and dental from retirees:

Employees who retired prior to 2000 were eligible to continue with Board health and dental plans until age 65. Union employees who retired after 1999 were no longer offered these benefits.

3. Reserve funds:

	2001	2000
Balance, beginning of year	\$ 33,094,028	\$ 31,537,460
Contribution from revenue fund	2,842,729	1,446,424
Interest earned	1,641,992	1,558,776
	4,484,721	3,005,200
Contribution to revenue fund	(11,093,214)	(1,448,632)
Balance, end of year	\$ 26,485,535	\$ 33,094,028

4. Net long-term liabilities:

(a) The balance of net long-term liabilities reported on the balance sheet is made up of the following:

	2001	2000
At the end of the year, the total outstanding principal amount	\$ 2,016,534	\$ 3,634,440
Of the long-term liabilities shown above, the responsibility for payment of principal and interest charges has been assumed by Le Conseil Scolaire Public du District Centre Sud Ouest. At the end of the year, the outstanding principal amount of this liability is	(514,304)	(584,830)
Net long-term liabilities, at end of year	\$ 1,502,230	\$ 3,049,610

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 4

Year ended August 31, 2001

4. Net long-term liabilities (continued):

(b) Principal and interest due within each of the next five years on net long-term liabilities is as follows:

	Principal	Interest	Total
2002	\$ 537,180	\$ 174,275	\$ 711,455
2003	252,590	134,480	387,070
2004	273,990	111,171	385,161
2005	297,470	85,832	383,302
2006	141,000	58,157	199,157
	<u>\$ 1,502,230</u>	<u>\$ 563,915</u>	<u>\$ 2,066,145</u>

(c) The Board is contingently liable for long-term liabilities with respect to those for which the responsibility for the payment of principal and interest has been assumed by Le Conseil Scolaire Public du District Centre Sud Ouest. The total amount outstanding as at August 31, 2001 of \$514,304 (2000 - \$584,830) is not recorded on the balance sheet.

5. Continuity of trust funds:

	Financed Leave Plan	Other	Total
Balance, beginning of year	\$ 1,671,125	\$ 810,397	\$ 2,481,522
Add:			
Capital received	737,694	199,759	937,453
Interest earned	79,983	43,549	123,532
	<u>817,677</u>	<u>243,308</u>	<u>1,060,985</u>
Less:			
Disbursements	1,081,578	203,030	1,284,608
Balance, end of year	<u>\$ 1,407,224</u>	<u>\$ 850,675</u>	<u>\$ 2,257,899</u>

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Notes to Financial Statements, page 5

Year ended August 31, 2001

6. Charges on net long-term liabilities:

The expenditure for debenture debt charges reported in the revenue fund statement of operations includes principal and interest payments as follows:

	2001	2000
Principal payments	\$ 1,547,380	\$ 1,502,621
Interest payments:		
Long-term liabilities	287,298	454,278
	1,834,678	1,956,899
Interest payments on temporary financing:		
Capital projects	592,324	567,145
	\$ 2,427,002	\$ 2,524,044

7. Pension plan costs:

All non-teaching employees of the School Board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer final average pay contributory plan. No employer contributions were made to the plan during the year by the Board.

Not shown in the financial statements of the Board are the employer's contributions to the Teachers' Superannuation Fund. The funding for such is provided directly by the Provincial Government.

8. Ontario School Board Insurance Exchange:

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licenced under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

9. Employee benefit plans:

The Board has agreed to provide a group health and welfare plan for certain employees and has assumed the liability for payment of benefits under this plan. The Board has contracted with an insurer for coverage of claims paid in excess of \$10,000 per plan member per year.

10. Commitment:

The Board has committed capital building contracts in the amount of \$4,800,000.