

Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Year ended August 31, 2003



KPMG LLP
Chartered Accountants

One St. Paul Street Suite 900
PO Box 1294 Stn Main
St. Catharines ON L2R 7A7

Telephone (905) 685-4811
Telefax (905) 682-2008
www.kpmg.ca

AUDITORS' REPORT

To the Trustees of the
District School Board of Niagara

We have audited the balance sheet of the District School Board of Niagara as at August 31, 2003 and the statements of operations for the revenue fund and the capital fund for the year then ended. These financial statements have been prepared to comply with Section 252 of the Education Act of Ontario. 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, 2003 and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Trustees of the Board and the Minister of Education of Ontario for complying with Section 252 of the Education Act of Ontario. These financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

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 horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Accountants

St. Catharines, Canada
November 14, 2002

DISTRICT SCHOOL BOARD OF NIAGARA

Balance Sheet

August 31, 2003, with comparative figures for 2002

	2003	2002
Assets		
Revenue Fund		
Bank	\$ –	\$ 4,233,985
Temporary investments, at cost	25,030,000	16,040,000
Accounts receivable:		
Municipalities	12,213,565	12,188,231
Province of Ontario	673,756	526,451
Government of Canada	884,281	1,168,193
Other	882,027	939,098
Inventories, at cost	606,796	526,780
Prepaid expenses	767,848	1,811,134
Due from capital fund	–	9,176,721
	<hr/> 41,058,273	<hr/> 46,610,593
Reserve Funds		
Due from revenue fund	26,952,652	23,707,937
	<hr/> 26,952,652	<hr/> 23,707,937
Capital Fund		
Capital outlay to be recovered in future years	712,460	10,361,955
	<hr/> 712,460	<hr/> 10,361,955
Trust Funds		
Cash and investment	1,283,645	1,432,297
Due from revenue fund	1,728,293	979,112
	<hr/> 3,011,938	<hr/> 2,411,409
	<hr/> \$ 71,735,323	<hr/> \$ 83,091,894

	2003	2002
Liabilities		
Revenue Fund		
Bank and other short-term borrowing	\$ 81,389	\$ 9,571,905
Accounts payable and accrued liabilities	11,789,487	11,228,569
Due to other funds:		
Reserve funds	26,952,652	23,707,937
Trust funds	1,728,293	979,112
Deferred income	506,452	1,123,070
	<u>41,058,273</u>	<u>46,610,593</u>
Reserve Funds		
Reserves (note 4):		
Ministry special education	1,189,516	1,156,943
Other	25,763,136	22,550,994
	<u>26,952,652</u>	<u>23,707,937</u>
Capital Fund		
Due to revenue fund	–	9,176,721
Net long-term liabilities (note 5)	712,460	1,185,234
	<u>712,460</u>	<u>10,361,955</u>
Trust Funds		
Trust fund balances (note 6):		
Financed leave plan	1,283,645	1,432,297
Other	1,728,293	979,112
	<u>3,011,938</u>	<u>2,411,409</u>
	<u>\$ 71,735,323</u>	<u>\$ 83,091,894</u>

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Revenue Fund Statement of Operations

Year ended August 31, 2003, with comparative figures for 2002

	2003	2002
Revenue:		
Local taxation	\$ 103,538,639	\$ 103,030,168
Government of Ontario:		
Legislative grant	188,327,566	176,789,183
Other	1,333,037	3,977,111
	<u>189,660,603</u>	<u>180,766,294</u>
Government of Canada	27,933	268,524
Other:		
Tuition fees from individuals	858,233	739,215
School rentals	958,934	853,725
Proceeds on sale of property and equipment	1,357,812	1,478,007
Sundry	777,817	779,555
	<u>3,952,796</u>	<u>3,850,502</u>
	<u>297,179,971</u>	<u>287,915,488</u>
Net transfers (to) from reserves	(2,593,929)	3,413,318
Total revenue	<u>294,586,042</u>	<u>291,328,806</u>
Expenditures:		
Classroom	185,872,909	183,176,685
Non-classroom	46,716,290	45,529,988
Administration	7,425,582	7,604,126
Pupil transportation	12,430,443	12,284,084
Pupil accommodation	31,094,304	28,730,159
Capital expenditure - unallocated	10,824,081	13,275,351
Other non-operating expenditure	–	16,958
Charges on net long-term liabilities (note 7)	222,433	711,455
Total expenditures	<u>294,586,042</u>	<u>291,328,806</u>
Excess of revenue over expenditure	–	–
Surplus, beginning of year	–	–
Surplus, end of year	\$ –	\$ –

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Capital Fund Statement of Operations

Year ended August 31, 2003, with comparative figures for 2002

	2003	2002
Working capital derived from:		
Revenue fund	\$ 10,824,081	\$ 13,353,810
Other capital contributions	9,176,721	–
	<u>20,000,802</u>	<u>13,353,810</u>
Working capital applied to:		
Additions to capital assets	10,824,081	13,353,810
	<u>(9,176,721)</u>	<u>–</u>
Unfinanced capital expenditure, beginning of year	9,176,721	9,176,721
Unfinanced capital expenditure, end of year	<u>\$ –</u>	<u>\$ 9,176,721</u>

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements

Year ended August 31, 2003

1. Significant accounting policies:

These financial statements have been prepared by the Board in accordance with Section 252 of the Education Act, using accounting principles that are prescribed by the Ministry of Education and are considered appropriate for Ontario School Boards. These principles are consistent with those used in prior years. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as described in paragraphs (a) to (g).

(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 2003.

(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, 2003

1. Significant accounting policies (continued):

(d) Surplus 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. Fair value information for long term debt is not readily available.

2. Employee future benefits:

(a) Workers' Compensation:

The School Board has assumed the liability for any cost awarded under the Workplace Safety and Insurance Act. An amount of \$3,200,304 (2002 - \$3,112,667) 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 \$577,622 (2002 - \$557,894). The school board has contracted with an insurer for coverage of claims paid in excess of \$250,000 per employee accident.

The estimated future benefit obligation is \$2,412,597 which has been actuarially determined as at August 31, 2003. A discount rate of 6% was used and an inflation rate of 3% was used in determining the amount of the obligation.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 3

Year ended August 31, 2003

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 \$3,795,418 (2002 - \$3,691,484) to finance this future liability.

The amount paid and expensed in revenue fund statement of operations under all sick leave benefit plans in 2003 was \$4,134,497 (2002 - \$4,585,960).

The estimated future benefit obligation is \$24,400,902 which has been actuarially determined as at August 31, 2003.

The significant actuarial assumptions adopted in estimating the accrued benefit obligation are as follows:

Discount rate	5.5%
Inflation rate	2.0%
Salary growth	3.0%

(c) Health and dental:

The Board pays certain health and dental benefits on behalf of its retired employees. 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.

The accrued benefit obligation is \$3,646,884 which has been actuarially determined as at August 31, 2003.

The Board pays certain health and dental benefits for employees who are on long term disability. The accrued benefit liability at August 31, 2003 is \$488,203 which has been actuarially determined.

The significant actuarial assumptions adopted in estimating the accrued benefit obligation are as follows:

Discount rate	5.5%
Health care costs:	
Active employees	15% per year reducing by 1% per year to 3% after 12 years
Retirees	10% per year reducing by 1% per year to 3%
Dental costs	6% per year reducing by 1% per year to 3%

The amount paid by the Board during the year for health and dental benefits is \$8,831,791. The amount paid by current employees during the year is \$3,557,463.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 4

Year ended August 31, 2003

3. Unused vacation days accrual:

The amount of unused vacation days that has not been accrued is \$892,370 (2002 - \$825,031).

4. Reserve funds:

	2003	2002
Balance, beginning of year	\$ 23,707,937	\$ 26,485,535
Contribution from revenue fund	3,931,319	2,752,550
Interest earned	650,786	635,720
	4,582,105	3,388,270
Contribution to revenue fund	(1,337,390)	(6,165,868)
Balance, end of year	\$ 26,952,652	\$ 23,707,937

5. Net long-term liabilities:

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

	2003	2002
At the end of the year, the total outstanding principal amount	\$ 1,070,576	\$ 1,624,082
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	(358,116)	(438,848)
Net long-term liabilities, at end of year	\$ 712,460	\$ 1,185,234

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

	Principal	Interest	Total
2004	\$ 273,990	\$ 111,171	\$ 385,161
2005	297,470	85,832	383,302
2006	141,000	58,157	199,157
2007	-	52,429	52,429
2008	-	52,429	52,429
Thereafter	485,000	91,751	642,284
	1,197,460	451,769	1,714,762
Less: Sinking fund assets	485,000	-	485,000

Net long-term liabilities	\$ 712,460	\$ 451,769	\$ 1,229,762
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DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 5

Year ended August 31, 2003

5. Net long-term liabilities (continued):

(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, 2003 of \$358,116 (2002 - \$438,848) is not recorded on the balance sheet.

6. Continuity of trust funds:

	Financed Leave Plan	Other	Total
Balance, beginning of year	\$ 1,432,297	\$ 983,984	\$ 2,416,281
Add:			
Capital received	570,269	953,223	1,523,492
Interest earned	33,849	40,680	74,529
	604,118	993,903	1,598,021
Less:			
Disbursements	752,770	249,594	1,002,364
Balance, end of year	\$ 1,283,645	\$ 1,728,293	\$ 3,011,938

7. 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:

	2003	2002
Principal payments	\$ 472,774	\$ 537,180
Interest payments:		
Long-term liabilities	134,480	174,275
	607,254	711,455
Interest payments on temporary financing:		
Capital projects	65,111	347,081
	\$ 672,365	\$ 1,058,536

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Financial Statements, page 6

Year ended August 31, 2003

8. 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 until December 31, 2002 by the Board due to a contribution holiday. Contribution at a reduced rate was reinstated effective January 1, 2003.

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.

9. 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.

10. 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. An amount of \$1,000,000 (2002 - \$1,300,000) has been provided for this liability.

11. Commitment:

The Board has committed capital building contracts in the amount of \$4,500,000.

12. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.