



Financial Statements of

**DISTRICT SCHOOL BOARD OF NIAGARA**

Year ended August 31, 2007



Achieving Success Together

191 Carlton Street, St. Catharines, Ontario L2R 7P4 (905) 641-1550 Fax: (905) 685-8511

### **Management's Responsibility for the Financial Statements**

The accompanying financial statements of the District School Board of Niagara are the responsibility of the Board management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of 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 financial statements. These systems are monitored and evaluated by management.

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

The financial statements have been audited by KPMG LLP, 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 financial statements.

Warren Hoshizaki  
Director of Education, Secretary & Treasurer

Jane Roth  
Superintendent of Business

November 16, 2007



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## AUDITORS' REPORT

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

We have audited the consolidated statement of financial position of the District School Board of Niagara as at August 31, 2007 and the consolidated statements of financial activities and changes in financial position for the year then ended. These 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 School Board as at August 31, 2007 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, Licensed Public Accountants

St. Catharines, Canada  
November 16, 2007

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Financial Position

August 31, 2007, with comparative figures for 2006

|   | 2007                   | 2006                   |
|---|------------------------|------------------------|
| <b>Financial Assets</b>                   |                        |                        |
| Cash and cash equivalents                 | \$ 33,402,864          | \$ 32,668,679          |
| Accounts receivable                       | 16,294,967             | 18,082,767             |
| <b>Total financial assets</b>             | <b>49,697,831</b>      | <b>50,751,446</b>      |
| <b>Financial Liabilities</b>              |                        |                        |
| Temporary borrowing                       | -                      | 12,700,000             |
| Accounts payable and accrued liabilities  | 26,849,857             | 18,554,659             |
| Deferred revenue – reserves               | 1,986,519              | 882,319                |
| Net long-term liabilities (note 3)        | 27,399,361             | -                      |
| Employee future benefits (note 2)         | 40,660,210             | 42,004,326             |
| <b>Total financial liabilities</b>        | <b>96,895,947</b>      | <b>74,141,304</b>      |
| <b>Net financial assets (liabilities)</b> | <b>(47,198,116)</b>    | <b>(23,389,858)</b>    |
| <b>Non-Financial Assets</b>               |                        |                        |
| Inventories, at cost                      | 485,231                | 468,822                |
| <b>Total non-financial assets</b>         | <b>485,231</b>         | <b>468,822</b>         |
| <b>Net assets (liabilities)</b>           | <b>\$ (46,712,885)</b> | <b>\$ (22,921,036)</b> |
| <b>Financial Position</b>                 |                        |                        |
| Operating fund                            | \$ 85,672              | \$ 31,928              |
| Reserve fund                              | 38,922,617             | 36,604,638             |
| Capital fund                              | (20,414,631)           | (20,583,773)           |
| School activities fund                    | 4,195,387              | 4,052,584              |
| <b>Total fund balance</b>                 | <b>22,789,045</b>      | <b>20,105,377</b>      |
| Amounts to be recovered (note 4)          | (69,501,930)           | (43,026,413)           |
| <b>Net financial position</b>             | <b>\$ (46,712,885)</b> | <b>\$ (22,921,036)</b> |

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Financial Activities

Year ended August 31, 2007, with comparative figures for 2006

|  | Budget<br>(unaudited) | 2007                 | 2006                 |
|--|-----------------------|----------------------|----------------------|
| <b>Revenue:</b>                                |                       |                      |                      |
| Local taxation                                 | \$ 107,587,479        | \$ 110,701,630       | \$ 105,930,164       |
| Provincial Legislative grant                   | 222,055,097           | 219,770,465          | 214,255,538          |
| Provincial grant - Other                       | 2,030,807             | 3,910,863            | 6,421,108            |
| Government of Canada                           | -                     | 285,086              | 364,279              |
| Investment income                              | 1,594,200             | 2,060,788            | 1,566,952            |
| Other  | 2,027,627             | 7,244,504            | 3,831,809            |
| School fundraising and other revenue           | -                     | 14,521,021           | 12,627,987           |
| <b>Total revenue</b>                           | <b>335,295,210</b>    | <b>358,494,357</b>   | <b>344,997,837</b>   |
| <b>Expenditures:</b>                           |                       |                      |                      |
| Instruction                                    | 263,738,081           | 266,155,368          | 262,208,216          |
| Administration                                 | 9,241,330             | 11,152,230           | 10,599,017           |
| Transportation                                 | 14,225,811            | 14,359,883           | 14,239,328           |
| School operation and maintenance               | 35,845,995            | 35,591,315           | 34,480,122           |
| Pupil accommodation                            | 42,004,475            | 37,973,603           | 21,966,943           |
| Other  | 683,672               | 2,691,998            | 1,551,166            |
| School funded activities                       | -                     | 14,378,218           | 11,883,992           |
| <b>Total expenditures</b>                      | <b>365,739,364</b>    | <b>382,302,615</b>   | <b>356,928,784</b>   |
| <b>Net expenditure</b>                         | <b>(30,444,154)</b>   | <b>(23,808,258)</b>  | <b>(11,930,947)</b>  |
| Increase in inventories                        | -                     | 16,409               | 13,142               |
| Increase in non-financial assets               | -                     | 16,409               | 13,142               |
| <b>Change in net liabilities</b>               | <b>(30,444,154)</b>   | <b>(23,791,849)</b>  | <b>(11,917,805)</b>  |
| <b>Financing transactions:</b>                 |                       |                      |                      |
| Long Term financing issued                     | 46,452,827            | 27,702,000           | -                    |
| Debt repayments and sinking fund contributions | -                     | (302,639)            | (141,000)            |
| Decrease in unfunded liabilities               | (2,216,353)           | (923,844)            | (1,838,407)          |
| <b>Change in amounts to be recovered</b>       | <b>44,236,474</b>     | <b>26,475,517</b>    | <b>(1,979,407)</b>   |
| <b>Change in fund balances</b>                 | <b>13,792,320</b>     | <b>2,683,668</b>     | <b>(13,897,212)</b>  |
| <b>Opening fund balances</b>                   | <b>14,878,510</b>     | <b>20,105,377</b>    | <b>34,002,589</b>    |
| <b>Closing fund balances</b>                   | <b>\$ 28,670,830</b>  | <b>\$ 22,789,045</b> | <b>\$ 20,105,377</b> |

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Changes in Financial Position

Year ended August 31, 2007, with comparative figures for 2006

|  | 2007            | 2006            |
|--|-----------------|-----------------|
| Operations:                              |                 |                 |
| Net revenue                              | \$ (23,808,258) | \$ (11,930,947) |
| Sources and (uses):                      |                 |                 |
| Accounts receivable                      | 1,787,800       | (3,301,447)     |
| Temporary borrowing                      | (12,700,000)    | 12,700,000      |
| Accounts payable and accrued liabilities | 8,295,198       | (1,297,200)     |
| Deferred revenues – reserves             |                 | (143,048)       |
| Deferred revenue - other                 | 1,104,200       | (584,139)       |
| Employee future benefits                 | (1,344,116)     | (1,538,229)     |
| Net increase in cash from operations     | (26,665,176)    | (6,095,010)     |
| Financing:                               |                 |                 |
| Long term liabilities                    | 27,399,361      | (141,000)       |
| Change in cash and cash equivalents      | 734,185         | (6,236,010)     |
| Opening cash and cash equivalents        | 32,668,679      | 38,904,689      |
| Closing cash and cash equivalents        | \$ 33,402,864   | \$ 32,668,679   |

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Schedule of Operating Fund

Year ended August 31, 2007, with comparative figures for 2006

|   | 2007<br>Budget<br>(unaudited) | 2007<br>Actual     | 2006<br>Actual     |
|---|-------------------------------|--------------------|--------------------|
| <b>Revenues:</b>                            |                               |                    |                    |
| Local taxation                              | \$ 107,587,479                | \$ 110,701,630     | \$ 105,930,164     |
| Provincial legislative grants               | 222,055,097                   | 219,770,465        | 214,255,538        |
| Provincial grants – other                   | 2,030,807                     | 3,910,863          | 6,421,108          |
| Federal grants and fees                     | -                             | 285,086            | 364,279            |
| Investment income                           | 300,000                       | 530,084            | 410,086            |
| Sundry                                      | 2,027,627                     | 2,641,885          | 3,494,900          |
| <b>Total revenue</b>                        | <b>334,001,010</b>            | <b>337,840,013</b> | <b>330,876,075</b> |
| <b>Expenditures:</b>                        |                               |                    |                    |
| Instruction                                 | 263,738,081                   | 265,620,134        | 261,914,924        |
| Administration                              | 9,241,330                     | 11,152,230         | 10,599,017         |
| Transportation                              | 14,225,811                    | 14,359,883         | 14,239,328         |
| School operations and maintenance           | 35,845,995                    | 35,591,315         | 34,480,122         |
| Pupil accommodation                         | 1,872,475                     | 1,289,826          | 177,775            |
| Other                                       | 683,672                       | 1,111,852          | 1,214,257          |
| <b>Total expenditures</b>                   | <b>325,607,364</b>            | <b>329,125,240</b> | <b>322,625,423</b> |
| <b>Net revenue</b>                          | <b>8,393,646</b>              | <b>8,714,773</b>   | <b>8,250,652</b>   |
| Increase in inventories                     | -                             | 16,409             | 13,142             |
| Increase in non-financial assets            | -                             | 16,409             | 13,142             |
| Debt principal repayments                   | -                             | (302,639)          | (141,000)          |
| Decrease in unfunded liabilities            | (2,216,353)                   | (923,844)          | (1,838,407)        |
| Change in amounts to be recovered           | (2,216,353)                   | (1,226,483)        | (1,979,407)        |
| <b>Net transfers to (from) other funds:</b> |                               |                    |                    |
| Transfer to Capital Fund                    | (7,160,000)                   | (7,520,227)        | (4,582,514)        |
| Transfer (to) from Reserve Fund             | 982,707                       | 69,272             | (1,697,572)        |
|   | (6,177,293)                   | (7,450,955)        | (6,280,086)        |
| <b>Change in operating fund balance</b>     | <b>-</b>                      | <b>53,744</b>      | <b>4,301</b>       |
| Opening balance – Operating Fund            | 31,928                        | 31,928             | 27,627             |
| <b>Closing balance – Operating Fund</b>     | <b>\$ 31,928</b>              | <b>\$ 85,672</b>   | <b>\$ 31,928</b>   |

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Schedule of Reserve Funds

Year ended August 31, 2007, with comparative figures for 2006

|                                      | 2007<br>Budget | 2007<br>Actual | 2006<br>Actual |
|--------------------------------------|----------------|----------------|----------------|
|                                      | (unaudited)    |                |                |
| Revenues:                            |                |                |                |
| Investment income                    | \$ 1,294,200   | \$ 1,530,704   | \$ 1,156,866   |
| Net transfers from (to) other funds: |                |                |                |
| Transfer from (to) operations        | (982,707)      | (69,272)       | 1,697,572      |
| Transfer from (to) Capital           | (4,639,000)    | 856,547        | -              |
| Change in reserved fund balance      | (4,327,507)    | 2,317,979      | 2,854,438      |
| Opening balance – Reserve Fund       | 32,966,409     | 36,604,638     | 33,750,200     |
| Closing balance – Reserve Fund       | \$ 28,638,902  | \$ 38,922,617  | \$ 36,604,638  |

See accompanying notes to financial statements.



# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Schedule of Capital Fund

Year ended August 31, 2007, with comparative figures for 2006

|                                      | 2007<br>Budget<br>(unaudited) | 2007<br>Actual  | 2006<br>Actual  |
|--------------------------------------|-------------------------------|-----------------|-----------------|
| Revenues:                            |                               |                 |                 |
| Other revenues                       | \$ -                          | \$ 4,602,619    | \$ 336,909      |
| Capital expenditures:                |                               |                 |                 |
| Instruction                          | -                             | 535,234         | 293,292         |
| Pupil accommodation                  | 40,132,000                    | 36,683,777      | 21,789,168      |
| Other                                | -                             | 1,580,146       | 336,909         |
|                                      | 40,132,000                    | 38,799,157      | 22,419,369      |
| Net expenditure                      | (40,132,000)                  | (34,196,538)    | (22,082,460)    |
| Long Term Financing                  | 46,452,827                    | 27,702,000      | -               |
| Net transfers from (to) other funds: |                               |                 |                 |
| Transfers from Operating Fund        | 7,160,000                     | 7,520,227       | 4,582,514       |
| Transfers from (to) Reserve Fund     | 4,639,000                     | (856,547)       | -               |
| Change in capital fund balance       | 18,119,827                    | 169,142         | (17,499,946)    |
| Opening balance – Capital Fund       | (18,119,827)                  | (20,583,773)    | (3,083,827)     |
| Closing balance – Capital Fund       | \$ -                          | \$ (20,414,631) | \$ (20,583,773) |

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Schedule of School Activities Funds

Year ended August 31, 2007, with comparative figures for 2006

|  | 2007<br>Budget | 2007<br>Actual | 2006<br>Actual |
|--|----------------|----------------|----------------|
| Revenues:                                |                |                |                |
| School fundraising and other revenues    | \$ -           | \$ 14,521,021  | \$ 12,627,987  |
| Expenditures                             |                |                |                |
| School funded activities                 | -              | 14,378,218     | 11,883,992     |
| Net revenue                              | -              | 142,803        | 743,995        |
| Opening balance – School Activities Fund | 4,052,584      | 4,052,584      | 3,308,589      |
| Closing balance – School Activities Fund | \$ 4,052,584   | \$ 4,195,387   | \$ 4,052,584   |

See accompanying notes to financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Notes to Consolidated Financial Statements

Year ended August 31, 2007

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### 1. Significant accounting policies:

The financial statements are prepared by management in accordance with generally accepted accounting principles for local governments 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, expenditures and fund balances 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:

Education Foundation of Niagara  
School Generated Funds

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 these funds 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 accounting recognizes revenues as they are earned and measurable; expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

#### (d) Cash and cash equivalents:

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Notes to Consolidated Financial Statements

Year ended August 31, 2007

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### 1. Significant accounting policies (continued):

#### (e) Temporary investments:

Temporary investments consist of marketable securities that are liquid short-term investments with maturities less than three months at the date of acquisition, and are carried on the Statement of Financial Position at cost.

#### (f) Capital assets:

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities in the year of acquisition.

#### (g) Deferred revenue - Reserves:

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.

#### (h) 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 health care benefits, retirement gratuity, and worker's compensation. 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 costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest 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. 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 worker's 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Notes to Consolidated Financial Statements

Year ended August 31, 2007

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### 1. Significant accounting policies (continued):

#### (h) Retirement and other employee future benefits (continued):

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employee 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.

#### (l) Reserve and reserve funds:

Certain amounts, as approved by the Board trustees, are set aside in reserves and reserve funds for future operating and capital purposes. Transfer to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

#### (j) Government Transfers:

Government transfers, including 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.

#### (k) Investment income:

Investment income earned on surplus operating funds, capital funds, reserves and reserve funds are reported as revenue in the period earned.

Investment income earned on externally restricted funds such as pupil accommodation and special education is added to the fund balance and forms part of the respective deferred revenue 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 within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments 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 financial statements. The budget figures are unaudited.

#### (m) Use of estimates:

The preparation of financial statements in conformity with 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 financial statements, and the reported amounts of revenue and expenditure during the reporting period. Actual results could differ from these estimates.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2007

## 2. Employee future benefits:

| Retirement and other<br>employee future benefit<br>liabilities | Retirement<br>benefits | Other<br>employee<br>future<br>benefits | 2007<br>Total<br>employee<br>future<br>benefits | 2006<br>Total<br>employee<br>future<br>benefits |
|--|------------------------|---|---|---|
| Employee future benefits<br>liability at August 31, 2007       | \$ 23,715,521          | \$ 16,944,689                           | \$ 40,660,210                                   | \$ 42,004,326                                   |

| Retirement and other<br>employee future benefit<br>expenses | Retirement<br>benefits | Other<br>employee<br>future<br>benefits | 2007<br>Total<br>employee<br>future<br>benefits | 2006<br>Total<br>employee<br>future<br>benefits |
|---|------------------------|---|---|---|
| Current year benefit costs                                  | \$ 1,988,745           | \$ 1,346,744                            | \$ 3,335,489                                    | \$ 2,634,735                                    |
| Interest on accrued benefit<br>obligation                   | 1,084,257              | 583,910                                 | 1,668,167                                       | 1,735,105                                       |
| Employee future benefits<br>expenses                        | \$ 3,073,002           | \$ 1,930,654                            | \$ 5,003,656                                    | \$ 4,369,840                                    |
| Total payments made during the year                         |                        |   | \$ 6,347,772                                    | \$ 5,908,069                                    |

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2007

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## 2. Employee future benefits (continued)

Retirement benefits:

(i) Ontario teacher's 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 the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

(ii) Ontario municipal employees retirement system:

All non-teaching employees of the Board are eligible to be members of the 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. Effective January 1, 2005, employee contribution rates returned to levels of up to 9.6% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2007, the Board contributed \$2,439,000 (2006 - \$2,300,000) 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 financial statements.

(iii) 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 financial statements.

(iv) 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, at a cost to the retired member. 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 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 included in the Board's financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Notes to Consolidated Financial Statements

Year ended August 31, 2007

### 2. Employee future benefits (continued)

#### (ii) Long-term disability life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

#### (iii) Sick leave:

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, 2007 are based on an actuarial valuation for accounting purposes as at August 31, 2007. These actuarial valuations were based on assumption about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

|   | %                              |
|---|--------------------------------|
| Inflation                                 | 1.5                            |
| Wage and salary escalation                | 2.5                            |
| Insurance and health care cost escalation | 11% decreasing by 1% each year |
| Dental cost escalation                    | 3% in 2007 and 2% thereafter   |
| Discount on accrued benefit obligations   | 4.5                            |

As detailed on the Schedule of the Reserve Fund, the Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$8,714,278 at August 31, 2007 (2006 - \$8,339,534).

### 3. Net long-term liabilities:

Net long-term liabilities reported on the Consolidated Statement of Financial Position comprises the following:

|  | 2007          | 2006      |
|--|---------------|-----------|
| Debenture, bearing interest at the rate of 4.56% due November 15, 2031 | \$ 27,399,361 | \$ -      |
| Sinking fund debenture, due May, 2010                                  | 485,000       | 485,000   |
| Less sinking fund assets   | (485,000)     | (485,000) |
| Balance as at August 31  | \$ 27,399,361 | \$ -      |



# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2007

### 3. Net long-term liabilities (continued):

Principal payments relating to net long-term liabilities of \$27,399,361 outstanding as at August 31, 2007 are due as follows:

|      | Principal and sinking<br>fund contributions | Interest including<br>sinking fund payments | Total               |
|------|---|---|---------------------|
| 2008 | \$ 626,135                                  | \$ 1,294,782                                | \$ 1,920,917        |
| 2009 | 655,013                                     | 1,265,905                                   | 1,920,918           |
| 2010 | 1,170,222                                   | 1,235,696                                   | 2,405,918           |
| 2011 | 716,824                                     | 1,151,665                                   | 1,868,489           |
|      | <u>\$ 3,168,194</u>                         | <u>\$ 4,948,048</u>                         | <u>\$ 8,116,242</u> |

Included in net long-term debt are outstanding debentures of \$485,000 (2006 - \$485,000) secured by sinking fund assets with a carrying value of \$485,000 (market value - \$485,000). Sinking fund assets are comprised of short-term deposits.

On February 17, 2005, The Ministry of Education announced the Good Places to Learn Initiative. This initiative supports major school repairs, additions, and new construction. The Board has received formal notice from the Ministry of Education that additional long-term financing for this initiative in the amount of \$17,297,000 will be available early in 2008.

### 4. Amounts to be recovered in future years:

The amounts to be recovered in future years reported on the Consolidated Statement of Financial Position are comprised of:

|  | 2007                 | 2006                 |
|--|----------------------|----------------------|
| Capital outlay to be recovered in future years:                  |                      |                      |
| Net long-term debt (note 3)                                      | \$ 27,399,361        | \$ -                 |
| Amounts to be financed in future years:                          |                      |                      |
| Retirement and other employee future benefits liability (note 2) | 40,660,210           | 42,004,326           |
| Vacation accrual   | 1,058,135            | 1,022,087            |
| Interest accrual   | 384,224              | -                    |
|  | <u>\$ 69,501,930</u> | <u>\$ 43,026,413</u> |

# DISTRICT SCHOOL BOARD OF NIAGARA

## Notes to Consolidated Financial Statements

Year ended August 31, 2007

### 5. Debt charges and capital loans and leases interest:

The expenditure for debt charges, capital loans and capital leases interest includes principal, sinking fund contributions and interest payments as follows:

|   | 2007              | 2006              |
|---|-------------------|-------------------|
| Principal payments on long-term liabilities | \$ 302,639        | \$ 141,000        |
| Interest payments on long-term liabilities  | 684,034           | 58,157            |
|   | <u>\$ 986,673</u> | <u>\$ 199,157</u> |

### 6. Expenditures by object:

The following is a summary of the current and capital expenditures reported on the Consolidated Statement of Financial Activities by object:

|                            | 2007<br>Budget        | 2007<br>Actual        | 2006<br>Actual        |
|----------------------------|-----------------------|-----------------------|-----------------------|
| Current expenditures:      |                       |                       |                       |
| Salary and wages           | \$ 243,235,740        | \$ 242,562,187        | \$ 235,557,170        |
| Employee benefits          | 31,787,538            | 35,008,489            | 33,228,968            |
| Staff development          | 1,338,932             | 893,571               | 1,222,073             |
| Supplies and services      | 27,407,572            | 25,487,952            | 28,236,175            |
| Interest                   | 1,872,475             | 1,198,374             | 177,775               |
| Rental expenditures        | 34,380                | 830,178               | 46,193                |
| Fees and contract services | 16,116,623            | 17,639,540            | 16,254,505            |
| Other                      | 770,903               | 1,090,962             | 1,301,283             |
| Capital expenditures       | 43,774,201            | 43,213,144            | 29,020,650            |
| School funded activities   |                       | 14,378,218            | 11,883,992            |
|                            | <u>\$ 366,338,364</u> | <u>\$ 382,302,615</u> | <u>\$ 356,928,784</u> |

### 7. 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Notes to Consolidated Financial Statements

Year ended August 31, 2007

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### **8. 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 \$2,556,660 (2006 - \$2,008,000) has been provided for this liability.

### **9. Commitments:**

The Board is committed to pay \$12,632,073 for capital expenditures.