

Consolidated Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Year ended August 31, 2013



Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the District School Board of Niagara are the responsibility of the Board management and 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, 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 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 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 financial statements.

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

A handwritten signature in black ink, appearing to read 'Warren Hoshizaki', is written over a horizontal line.

Warren Hoshizaki
Director of Education, Secretary & Treasurer

A handwritten signature in black ink, appearing to read 'Stacy Veld', is written over a horizontal line.

Stacy Veld
Assistant Superintendent of Business

November 26, 2013



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the District School Board of Niagara, which comprise the consolidated statement of financial position as at August 31, 2013, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements of the District School Board of Niagara as at August 31, 2013 and for the year ended are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

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 the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

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Chartered Accounts, Licensed Public Accountants

November 26, 2013
St. Catharines, Canada

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Financial Position

August 31, 2013, with comparative information for 2012

	2013	2012
Financial Assets		
Cash and cash equivalents	\$ 55,040,407	\$ 46,335,041
Accounts receivable	23,960,026	18,048,423
Accounts receivable – Government of Ontario (note 3)	118,924,197	112,026,172
Assets held for sale (note 4)	687,963	281,840
Total financial assets	198,612,593	176,691,476
Financial Liabilities		
Accounts payable and accrued liabilities	31,565,938	30,484,894
Deferred revenue (note 5)	21,457,006	18,077,478
Net long-term liabilities (note 7)	106,698,104	89,555,518
Employee future benefits (note 8)	20,164,957	20,801,920
Deferred capital contributions (note 6)	315,550,160	308,337,310
Total financial liabilities	495,436,165	467,257,120
Net debt	(296,823,572)	(290,565,644)
Non-Financial Assets		
Prepaid expenses	735,741	571,560
Tangible capital assets (note 9)	333,829,661	323,719,180
Total non-financial assets	334,565,402	324,290,740
Commitments (note 16)		
Accumulated Surplus (note 10)	\$ 37,741,830	\$ 33,725,096

See accompanying notes to financial statements.

On behalf of the Board


Chair


Director of Education

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2013, with comparative information for 2012

	Original Budget	2013	2012
Revenue:			
Provincial legislative grants (note 2)	\$ 366,320,390	\$ 371,762,982	\$ 371,553,644
Provincial grants - other	14,066,477	16,304,950	9,243,483
Provincial grants - OYAP	153,000	150,898	153,205
Government of Canada	-	85,291	68,142
Investment income	630,000	639,711	601,076
Other	2,689,409	4,056,397	3,531,925
School fundraising and other revenue	12,504,165	10,120,013	11,562,702
Amortization of deferred capital contributions	21,003,411	20,423,495	19,181,394
Total revenue	417,366,852	423,543,737	415,895,571
Expenses:			
Instruction	314,197,633	319,296,167	304,772,123
Administration	11,989,992	11,556,314	10,321,917
Transportation	16,669,374	17,413,281	17,938,532
School operation and maintenance	39,534,069	37,062,894	34,539,687
Pupil accommodation	24,448,533	23,480,442	20,388,394
Other	683,672	750,799	683,672
School funded activities	12,504,165	9,967,106	11,363,111
Total expenses (note 13)	420,027,438	419,527,003	400,007,436
Annual surplus (deficit)	(2,660,586)	4,016,734	15,888,135
Accumulated surplus, beginning of year	32,314,276	33,725,096	17,836,961
Accumulated surplus, end of year	\$ 29,653,690	\$ 37,741,830	\$ 33,725,096

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Change in Net Debt

Year ended August 31, 2013, with comparative information for 2012

	2013	2012
Annual surplus	\$ 4,016,734	\$ 15,888,135
Tangible capital assets activity:		
Acquisition of tangible capital assets	(32,866,089)	(34,033,947)
Amortization of tangible capital assets	21,199,985	19,861,320
Loss on sale of tangible capital assets	1,149,500	161,665
Transfer to asset held for sale	406,123	281,840
Revenue recovery on land disposal	-	26,390
Other non-financial asset activity:		
Acquisition of prepaid expenses	(754,029)	(596,696)
Consumption of inventories	-	6,875
Use of prepaid expenses	589,848	203,923
Change in net debt	(6,257,928)	1,799,505
Net debt, beginning of year	(290,565,644)	(292,365,149)
Net debt, end of year	\$ (296,823,572)	\$ (290,565,644)

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Cash Flows

Year ended August 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 4,016,734	\$ 15,888,135
Items not involving cash:		
Amortization of tangible capital assets	21,199,985	19,861,320
Loss on sale of capital assets and assets held for sale	1,149,500	231,622
Change in employee benefits and other liabilities	(636,963)	(16,958,316)
Amortization of deferred capital contributions	(20,423,495)	(19,181,394)
	5,305,761	(158,633)
Change in non-cash assets and liabilities:		
Accounts receivable	(5,911,603)	(1,496,176)
Accounts payable and accrued liabilities	1,081,044	4,472,291
Deferred revenue	3,379,528	6,203,499
Inventories of supplies and prepaid expenses	(164,181)	(385,898)
Net change in cash from operating activities	3,690,549	8,635,083
Capital Activities:		
Proceeds on sale of tangible capital assets and assets held for sale	-	3,203,082
Cash used to acquire tangible capital assets	(32,866,089)	(34,033,947)
Transfer from assets held for sale	-	200,587
Net change in cash from capital activities	(32,866,089)	(30,630,278)
Financing Activities:		
Debt issued and assumed	19,668,789	18,197,526
Long-term debt repaid	(2,526,203)	(1,963,339)
Accounts receivable – Government of Ontario	(6,898,025)	(19,664,795)
Deferred capital contributions	27,636,345	30,652,477
Net change in cash from financing activities	37,880,906	27,221,869
Net change in cash	8,705,366	5,226,674
Cash and cash equivalents, beginning of year	46,335,041	41,108,367
Cash and cash equivalents, end of year	\$ 55,040,407	\$ 46,335,041

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies:

The consolidated financial statements of the District School Board of Niagara (the "Board") are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Board are as follows:

(a) Basis of accounting:

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

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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.

(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, and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities:

School Generated Funds

Proportionately consolidated entities:

Niagara Student Transportation Services

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

(c) 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.

(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, 2013

1. Significant accounting policies (continued):

(e) 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.

Tangible capital assets, except land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful Life - Years
Land improvements	15 years
Buildings	40 years
Portable structures	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5-10 years

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction and assets that relate to pre-acquisition and pre-construction costs 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 estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

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

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies (continued):

(f) 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 expenses are incurred or services performed.

(g) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act when the asset has been acquired. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(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. In 2013, changes were made to the Board's sick leave and disability plans.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies (continued):

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

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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

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. Under this method, the benefit costs are recognized over the expected average 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, 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 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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies (continued):

(i) 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.

Government transfers for capital are included in deferred capital contributions as described in note 1(g).

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) 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.

(l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenses in the periods in which they become known. Significant estimates include assumptions used in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities. Actual results could differ from these current estimates.

2. Adopting of new accounting standard:

On September 1, 2012, the Board adopted Public Sector Accounting Standard PS3510 – Tax Revenue. The standard was adopted retrospectively. The new standard provides guidance on the entities that are able to record tax revenue on their financial statements.

Under PS3510, only the entity that determines and sets the levy will record tax revenue in their financial statements. All other entities who receive revenue from taxes as transfers from the original taxing authority (the Province of Ontario) will record these amounts as grants in their financial statements.

As a result of adopting PS3510, the Board now records the tax revenue received from Municipalities as part of Provincial Legislative grants.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

2. Adopting of new accounting standard (continued):

Included in provincial legislative grants of \$371,762,982 (2012 - \$371,553,644) are property taxes that were established by the Province in the amount of \$106,518,574 (2012 - \$111,080,476).

3. Accounts receivable – Government of Ontario:

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of Ontario of \$118,924,197 as at August 31, 2013 (2012 - \$112,026,172) with respect to capital grants.

4. Assets held for sale:

As of August 31, 2013, \$684,963 (2012 - \$278,840) related to buildings and \$3,000 (2012 - \$3,000) related to land were recorded as assets held for sale. During the year, no properties were sold, and additional properties with a net book value of \$406,123 were reclassified during the year.

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 consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation of agreement as at August 31, 2013 is comprised of:

	Balance as at August 31, 2012	Externally Restricted Revenue	Revenue recognized in the period	Transfers to deterred capital contributions	Balance as at August 31, 2013
School Renewal	\$ 10,531,294	\$ 7,263,668	\$ (47,440)	\$ (5,687,325)	\$ 12,060,197
Proceeds of disposition	3,597,932	406,123	-	-	4,004,055
Special Education	646,750	42,697,557	(42,539,925)	-	804,382
Other	2,175,105	18,988,408	(15,105,312)	(1,745,055)	4,313,146
School Condition Improvement	493,820	3,483,353	-	(3,701,947)	275,226
Energy Efficiency	632,577	250,000	-	(882,577)	-
Total deferred revenue	\$ 18,077,478	\$ 73,089,109	\$(57,692,677)	\$ (12,016,904)	\$ 21,457,006

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

5. Deferred revenue (continued):

The deferred revenue reported on the consolidated statement of financial position is comprised of the following:

	2013	2012
Balance, beginning of year	\$ 18,077,478	\$ 8,627,329
Revenue:		
Grants	71,587,808	67,719,975
Assets Held for Sale	406,123	80,693
Third party	1,095,178	4,164,257
Transfer to deferred capital contributions	(12,016,904)	(8,216,950)
Total revenue	79,149,683	72,375,304
Expenses	(57,692,677)	(54,297,826)
Balance, end of year	\$ 21,457,006	\$ 18,077,478

6. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2013	2012
Balance, beginning of year	\$ 308,337,310	\$ 296,866,227
Additions to deferred capital contributions	17,175,064	22,876,032
Transfer from deferred revenue	12,016,904	8,216,950
Transfers to financial assets	(1,555,623)	(440,505)
Amortization of deferred capital contributions	(20,423,495)	(19,181,394)
Balance, end of year	\$ 315,550,160	\$ 308,337,310

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

7. Net long-term liabilities:

Net long-term liabilities reported on the consolidated statement of financial position comprises the following:

	2013	2012
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 16,895,862	\$ 17,345,586
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	11,578,505	11,918,930
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	23,181,816	23,966,284
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	3,609,628	3,760,081
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	8,977,645	9,192,805
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	5,054,873	5,174,306
Debenture, bearing interest at the rate of 3.564% due March 9, 2037	17,730,986	18,197,526
Debenture, bearing interest at the rate of 3.799% due March 19, 2038	19,668,789	-
Balance, end of year	\$ 106,698,104	\$ 89,555,518

Principal and interest payments relating to net long-term liabilities of \$106,698,104 outstanding as at August 31, 2013 are due as follows:

	Principal	Interest	Total
2014	\$ 3,131,726	\$ 4,689,388	\$ 7,821,114
2015	3,273,844	4,548,168	7,822,012
2016	3,422,522	4,400,431	7,822,953
2017	3,578,066	4,245,871	7,823,937
2018	3,740,800	4,084,169	7,824,969
Thereafter	89,551,146	37,097,616	126,648,762
	\$ 106,698,104	\$ 59,065,643	\$ 165,763,747

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

8. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2013 Total employee future benefits	2012 Total employee future benefits
Accrued benefit obligation	\$ 15,586,369	\$ 4,233,674	\$ 19,820,043	\$ 20,801,920
Unamortized actuarial gain	344,914	-	344,914	-
Balance, end of year	\$ 15,931,283	\$ 4,233,674	\$ 20,164,957	\$ 20,801,920

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2013 Total employee future benefits	2012 Total employee future benefits
Current year benefit costs	\$ 3,799,191	\$ (305,023)	\$ 3,494,168	\$ 3,174,691
Curtailment loss (gain)	(1,852,197)	50,201	(1,801,996)	(16,092,045)
Interest on accrued benefit obligation	470,266	459,885	930,151	1,633,234
Employee future benefits expenses	\$ 2,417,260	\$ 205,063	\$ 2,622,323	\$(11,284,120)
Total payments made during the year			\$ 3,259,286	\$ 5,674,196

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

8. Employee future benefits (continued):

Included in expenses is \$23,019 (2012 - \$9,812,835) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life.

Plan changes:

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. As a result, employees eligible for a 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 non-vested sick days were eliminated as of September 1, 2012, and were replaced with a new short term leave and disability plan.

In 2013, further changes were made to the short term leave and disability plan. Under the new short term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

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.

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 consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System:

All non-teaching and support staff 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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2013, the Board contributed \$4,525,676 (2012 - \$4,050,091) 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 consolidated financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

8. Employee future benefits (continued):

(iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. 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 decrease to the Board's obligation of \$2,205,456 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

(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. The premiums are based on the Board experience and retirees' premiums are subsidized by the board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions. The changes to the Board's retirement health, life and dental plans resulted in a one-time reduction to the Board's obligation of \$857,292 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

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 consolidated financial statements.

Plan changes made in 2012 requires school boards to provide salary top-up to a maximum of 4½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

8. 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.

Included in the Board's accumulated surplus as of August 31, 2013, the amount of \$1,611,399 (2012 - \$1,845,508) has been internally restricted for these employee future benefit obligations.

(iii) Sick leave benefits:

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction to the obligation of \$13,029,297 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

Sick leave top-up benefits:

As a result of new changes made in 2013 to the short term sick leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the 2013 financial statements are \$347,421 (2012 – \$nil).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as of August 31, 2013. 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:

	2013	2012
	%	%
Inflation	2.0	2.0
Wage and salary escalation	nil	nil
Insurance and health care cost escalation	8.75% decreasing by ¼% each year to 4.0%	9% decreasing by ½% each year to 4.0%
Dental cost escalation	4.75% decreasing by ¼% each year to 3.0%	5% decreasing by ½% each year to 3.0%
Discount on accrued benefit obligations	3.4	3.0

Included in the Board's accumulated surplus as of August 31, 2013, the amount of \$1,611,399 (2012 - \$1,845,508) has been internally restricted for these employee future benefit obligations.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

9. Tangible capital assets:

Cost	Balance at August 31, 2012	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2013
Land	\$ 6,381,749	\$ -	\$ -	\$ -	\$ 6,381,749
Land improvements	3,942,500	390,318	-	-	4,332,818
Buildings	511,312,238	23,710,543	5,777,687	(661,100)	540,139,368
Portable structures	3,253,672	90,744	-	-	3,344,416
First-time equipping of schools	1,796,595	755,457	-	-	2,552,052
Furniture	305,027	77,885	(16,082)	-	366,830
Equipment	5,309,132	1,112,500	(208,948)	-	6,212,684
Computer hardware	9,205,662	373,273	(1,588,412)	-	7,990,523
Computer software	483,319	90,815	(76,975)	-	497,159
Vehicles	1,282,265	70,588	(28,994)	-	1,323,859
Assets under construction	8,071,125	6,193,966	(8,019,571)	-	6,245,520
Total	\$ 551,343,284	\$ 32,866,089	\$ (4,161,295)	\$ (661,100)	\$ 579,386,978

Accumulated Amortization	Balance at August 31, 2012	Amortization	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2013
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	1,025,062	287,107	-	-	1,312,169
Buildings	217,059,213	17,795,573	(1,092,384)	(254,977)	233,507,425
Portable structures	1,411,805	169,111	-	-	1,580,916
First-time equipping of schools	312,836	217,432	-	-	530,268
Furniture	110,865	33,593	(16,082)	-	128,376
Equipment	1,581,653	733,088	(208,948)	-	2,105,793
Computer hardware	5,097,839	1,719,619	(1,588,412)	-	5,229,046
Computer software	224,642	98,048	(76,975)	-	245,715
Vehicles	800,189	146,414	(28,994)	-	917,609
Assets under construction	-	-	-	-	-
Total	\$ 227,624,104	\$ 21,199,985	\$ (3,011,795)	\$ (254,977)	\$ 245,557,317

	Net Book Value August 31, 2012	Net Book Value August 31, 2013
Land	\$ 6,381,749	\$ 6,381,749
Land improvements	2,917,438	3,020,649
Buildings	294,253,025	306,631,943
Portable structures	1,841,867	1,763,500
First-time equipping of schools	1,483,759	2,021,784
Furniture	194,162	238,454
Equipment	3,727,479	4,106,891
Computer hardware	4,107,823	2,761,477
Computer software	258,677	251,444
Vehicles	482,076	406,250
Assets under construction	8,071,125	6,245,520
Total	\$ 323,719,180	\$ 333,829,661

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

9. Tangible capital assets (continued):

Assets under construction

Assets under construction having a value of \$6,245,520 (2012 – \$8,071,125) have not been amortized. Amortization of these assets will commence when the asset is put into service.

10. Accumulated surplus:

Accumulated surplus consists of the following:

	2013	2012
Internally appropriated	\$ 47,365,515	\$ 45,370,172
Externally appropriated		
Employee future benefits	(19,402,808)	(20,801,920)
Interest to be accrued	(1,400,886)	(1,210,469)
Vacation accrued	-	(659,788)
School generated funds	4,795,260	4,642,352
Revenues recognized for land	6,384,749	6,384,749
Balance, end of year	\$ 37,741,830	\$ 33,725,096

11. Debt charges:

The expenditure for debt charges includes principal and interest payments as follows:

	2013	2012
Principal payments on long-term liabilities	\$ 2,526,203	\$ 1,963,338
Interest payments on long-term liabilities	4,210,418	3,666,713
	\$ 6,736,621	\$ 5,630,051

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

12. Partnership in Niagara Student Transportation Services:

On March 6, 2007, the Board entered into an agreement with Niagara Catholic District School Board to provide common administration of student transportation services. On March 9, 2007, Niagara Student Transportation Services ("NSTS") was incorporated under the Corporations Act of Ontario. Each Board participates in the shared costs associated with this service for the transportation of their respective students through NSTS.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2013		2012	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 71,203	\$ 43,576	\$ 79,575	\$ 48,700
Financial liabilities	(187,662)	(114,849)	(241,897)	(148,041)
Non-financial assets	138,521	84,775	193,140	118,202
Accumulated Surplus	\$ 22,062	\$ 13,502	\$ 30,818	\$ 18,861
Operations:				
Revenues	\$ 27,281,312	\$ 16,696,163	\$ 28,238,990	\$ 17,282,262
Expenses	27,290,068	(16,701,522)	28,249,386	(17,288,624)
Annual Deficit	\$ (8,756)	\$ 5,359	\$ (10,396)	\$ 6,362

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

13. Expenses by object:

The following is a summary of the reported on the consolidated statement of operations and accumulated surplus by object:

	2013 Budget	2013 Actual	2012 Actual
Current expenses:			
Salary and wages	\$ 289,821,323	\$ 290,565,317	\$ 290,387,997
Employee benefits	39,539,658	41,080,294	23,787,286
Staff development	3,099,884	1,574,024	1,512,669
Supplies and services	40,368,533	36,171,013	37,522,472
Interest	4,061,592	4,400,835	3,833,151
Rental expenses	51,699	62,909	52,707
Fees and contract services	20,427,009	22,492,560	21,953,070
Other	798,940	830,566	865,142
Amortization	21,858,800	21,199,985	19,861,320
Net loss on disposal of capital assets	-	1,149,500	231,622
	\$ 420,027,438	\$ 419,527,003	\$ 400,007,436

14. 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.

The ultimate premiums over a five year period are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2016.

15. 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 \$25,000 per plan member per year. An amount of \$7,314,561 (2012 - \$6,175,258) has been provided for this liability.

16. Commitments:

The Board is committed to pay \$8,113,693 for capital expenditures.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2013

17. Repayment of “55 School Board Trust” Funding:

On June 1, 2003, the Board received \$9,176,721 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.

18. Litigation and claims:

The Board is involved from time to time in litigation, which arises in the normal course of business. In respect of any outstanding claims, the Board believes it has valid defenses. In Administration's judgment, no material exposure exists on the eventual settlement of such litigation, and accordingly, no provision has been made in the accompanying financial statements.

19. Comparative figures:

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