

Financial Statements of

**CATHOLIC DISTRICT SCHOOL
BOARD OF EASTERN
ONTARIO**

Year ended August 31, 2003

AUDITORS' REPORT

To the Trustees of the Catholic District School Board of Eastern Ontario

We have audited the balance sheet of the Catholic District School Board of Eastern Ontario as at August 31, 2003 and the revenue fund statement of operations, the capital fund statement of operations and the statement of reserves 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 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 Board as at August 31, 2003 and the results of its operations for the year then ended in accordance with the accounting principles 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. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purposes.

Chartered Accountants

Ottawa, Canada

October 24, 2003

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Balance Sheet

August 31, 2003, with comparative figures for 2002

	2003	2002
Assets		
Current assets:		
Cash	\$ 1,186,134	\$ 11,575
Investments – at cost	56,218	64,557
Accounts receivable:		
Local government	2,056,657	1,948,263
Other	815,263	1,098,028
Prepaid expenses	2,621,992	2,325,865
	6,736,264	5,448,288
Non-current assets:		
Capital outlay to be recovered in future years	33,970,590	22,738,684
Capital outlay not permanently financed	3,417,171	10,582,843
	37,387,761	33,321,527
	\$ 44,124,025	\$ 38,769,815

Liabilities and Deficit, Reserves and Funds

Current liabilities:		
Bank indebtedness	\$ –	\$ 7,726,381
Accounts payable and accrued liabilities	5,430,164	6,703,868
Deferred revenue	318,256	388,551
Current portion of unmatured debenture debt and capital loans	1,409,407	1,161,229
	7,157,827	15,980,029
Net long-term liabilities (note 4)		
Unmatured debenture debt and capital loans	32,561,183	21,577,455
Deficit, reserves and funds:		
Accumulated deficit at year end	(861,172)	(2,274,953)
Reserves (note 5):		
Working Capital Fund	500,000	–
Capital	4,331,797	3,190,817
Workplace Safety and Insurance Board	296,467	296,467
Students at Risk	137,923	–
	4,405,015	1,212,331
Contractual obligations and contingent liabilities (note 9)		
	\$ 44,124,025	\$ 38,769,815

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair of the Board

_____ Director of Education

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Revenue Fund Statement of Operations

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

	Budget estimates	2003	2002
	(Unaudited - note 10)		(As restated)
Expenditures:			
Classroom	\$ 57,230,345	\$ 58,610,641	\$ 55,501,425
Non-classroom	14,858,108	14,688,209	14,384,669
Administration	3,321,491	3,609,177	3,217,968
Pupil transportation	12,337,743	12,413,517	12,262,473
Pupil accommodation	16,621,939	14,564,299	14,416,700
Other non-operating expenditures (excluding transfer to reserves)	–	121,574	745,672
	104,369,626	104,007,417	100,528,907
Recovery of expenditures:			
School boards	688,569	794,349	710,644
Government of Ontario	23,500	353,665	2,151,046
Government of Canada	–	1,696	1,528
Individuals – tuition fees	–	14,330	11,200
Other revenue (excluding transfers from reserves)	20,000	316,585	60,549
	732,069	1,480,625	2,934,967
Net expenditures	\$ 103,637,557	\$ 102,526,792	\$ 97,593,940
Financing of net expenditures:			
Legislative grants	\$ 88,197,829	\$ 88,848,191	\$ 81,694,546
Local taxation	16,925,741	16,871,285	16,540,273
Increase in reserves	–	(1,778,903)	(314,774)
Previous year accumulated deficit	(1,486,013)	(2,274,953)	(2,601,058)
	103,637,557	101,665,620	95,318,987
To be applied to the following year:			
Accumulated deficit at year end	–	861,172	2,274,953
Total financing	\$ 103,637,557	\$ 102,526,792	\$ 97,593,940

See accompanying notes to financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Capital Fund Statement of Operations

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

	2003	2002
Capital expenditures:		
Capital assets and work-in-progress:		
New pupil places	\$ 10,978,711	\$ 6,110,665
School renewal	1,619,631	1,201,593
Instructional computers	422,624	364,301
Personalized special education equipment	55,159	55,329
Other capital expenditures	463,770	547,056
Total capital expenditures	\$ 13,539,895	\$ 8,278,944
Capital financing:		
Balance, not permanently financed, beginning of year	\$ (10,582,843)	\$ (5,948,114)
Net long-term liabilities issued and sold (note 4)	12,498,730	-
Other capital contributions (note 11)	5,138,566	-
Capital expenditure from the revenue fund	3,068,271	3,644,215
Balance, not permanently financed, end of year	3,417,171	10,582,843
Total capital financing	\$ 13,539,895	\$ 8,278,944

See accompanying notes to financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Statement of Reserves

Year ended August 31, 2003

	Working Capital Funds	Pupil accommodation	MECR BEER	Proceeds of disposition	Improved access for special education	WSIB	Students at Risk	Total
Balance, beginning of year	\$ -	\$ 2,874,999	\$ 171,300	\$ 128,804	\$ 15,714	\$ 296,467	\$ -	\$ 3,487,284
Transfers to reserves	500,000	5,298,951	-	175,300	-	-	137,923	6,112,174
Transfers from reserves	-	(4,100,381)	(171,300)	(61,090)	(500)	-	-	(4,333,271)
Net change in reserves	500,000	1,198,570	(171,300)	114,210	(500)	-	137,923	1,778,903
Balance, end of year	\$ 500,000	\$ 4,073,569	\$ -	\$ 243,014	\$ 15,214	\$ 296,467	\$ 137,923	\$ 5,266,187

See accompanying notes to financial statements.

MECR: Ministry Equity Capital Reserve

BEER: Board Equity Capital Reserve

WSIB: Workplace Safety and Insurance Board

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

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 of Ontario, 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 (e) below:

(a) Accrual accounting:

Revenue and expenditures 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 as described in the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461;
- (ii) no provision has been made for interest on unmatured debenture debt from the date of payment to year end;
- (iii) vacation pay is recorded as salary expense when it is paid; and
- (iv) the education portion of municipal supplementary taxes and tax write-offs have not been accrued for the calendar year 2003.

(b) Capital assets:

The acquisition of capital assets is expensed unless it is 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) Unmatured debenture debt:

Debentures are recorded as unmatured debentures debt in the year of issue. Principal and interest charges or unmatured debenture debt are included in expenditures in the period due.

(d) 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.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Financial Statements, page 2

Year ended August 31, 2003

1. Significant accounting policies (continued):

(e) Accumulated deficit at year end:

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

(f) Deferred revenue:

The portion of revenue relating to programs which extend beyond the year end, are deferred and recognized in the period the related expenditures are incurred.

(g) Legislative grant:

The legislative grant calculations are prepared by the Board annually and submitted to the Ministry of Education for their final approval. Adjustments to these calculations are recorded in the year in which they are made.

(h) Financial instruments:

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

(i) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Financial Statements, page 3

Year ended August 31, 2003

2. Employee benefits:

(a) Retirement gratuities, workers' compensation and extended health and dental benefits:

(i) Retirement gratuities:

The Board provides a one-time \$2,000 group RRSP incentive to all new teachers of the Board, in lieu of a retirement gratuity, once the teacher meets an appropriate probationary period. The funds are deposited in a group RRSP and teachers must meet a ten-year vesting period or the full net contents of the fund must return to the Board. Other retirement gratuity plans in existence upon school board amalgamation are grandfathered. The Board's policy is to charge the expenditures for retirement gratuities in the year in which the retirement gratuity payment is made.

(ii) Workers' compensation:

During 1998, the Board became a Schedule 2 employer with the Workplace Safety and Insurance Board (WSIB). As a Schedule 2 employer, the Board recognizes WSIB payments on a claim basis rather than on a premium basis and reports such claims as expenditures in the year in which the payments are made.

(iii) Extended health and dental benefits:

The Board offers its permanent employees extended health and dental benefits. The benefits include an employee and employer share of the costs. If an employee retires before age 65, the Board allows the retiree to continue their benefits in the plan, at the Board rate, at 100% cost to the retiree, until age 65.

(b) The Board paid and expensed amounts for each of the employee benefits as follows:

	2003		2002	
	Paid	Expensed	Paid	Expensed
Retirement gratuities	\$ 233,997	\$ 233,997	\$ 762,588	\$ 762,588
Workers' compensation	117,587	117,587	103,764	103,764
Extended health care and dental	3,409,947	2,497,643	2,692,145	1,989,578

The difference between the paid and expensed portion of extended health and dental benefits is the employee paid portion.

(c) The Board has reserves related to workers' compensation as described in note 5.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Financial Statements, page 4

Year ended August 31, 2003

2. Employee benefits (continued):

(d) The Board has the following liabilities relating to the employee benefits described in (a):

- (i) The amount of the accrued benefit obligation for retirement gratuities has been actuarially determined as at August 31, 2003 at \$3,305,000 (2002 - \$2,901,500). The significant actuarial assumptions adopted in estimating this obligation are as follows:

Discount rate	6.25% - 6.75%
Rate of return on reserve	6.75%
Salary growth	2% - 4%

- (ii) The amount of the liability for WSIB has been actuarially determined by the School Boards Cooperative Insurance (SBCI) as at August 31, 2003 and is \$958,559 (2002 - \$788,358).

- (iii) The amount of the accrued benefit obligation for extended health and dental has been actuarially determined as at August 31, 2003 and is \$148,000 (2002 - \$158,000). The significant actuarial assumptions adopted in estimating this obligation are as follows:

Discount rate	6.75%
Rate of return on plan assets	6.75%
Salary growth	2% - 4%
Dental benefits escalation	4%
Drugs benefits escalation	5% - 7.5%

- (e) The total amount of unused vacation that has not been accrued in the financial statements is approximately \$410,000.

3. Debenture interest accrual:

The amount of unaccrued interest on net long-term debt from the date of payment to the year end is:

	2003	2002
Approved long-term debt	\$ 24,206	\$ 30,927
Other long-term debt	699,248	419,617
	\$ 723,454	\$ 450,544

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Financial Statements, page 5

Year ended August 31, 2003

4. Net long-term liabilities:

Net long-term liabilities include debentures, sinking fund debentures and capital loans. During the year, the Board issued \$12,498,730 in debentures.

The principal and interest obligations included in net long-term liabilities are as follows:

	Principal and sinking fund contributions	Interest	Total
2003 – 2004	\$ 1,409,407	\$ 2,188,106	\$ 3,597,513
2004 – 2005	1,500,299	2,110,629	3,610,928
2005 – 2006	1,560,321	2,027,251	3,587,572
2006 – 2007	1,652,830	1,939,565	3,592,395
2007 – 2008	827,516	1,860,706	2,688,222
Thereafter	27,020,217	24,901,208	51,921,425
	<u>\$ 33,970,590</u>	<u>\$ 35,027,465</u>	<u>\$ 68,998,055</u>

5. Reserves:

Reserves at August 31, 2003 are as follows:

	2003	2002
Working Capital Fund reserve	\$ 500,000	\$ –
Capital reserves:		
Pupil accommodation	4,073,569	2,874,999
Ministry equity capital	–	126,813
Board equity capital	–	44,487
Proceeds of disposition	243,014	128,804
Improved access for special education	15,214	15,714
	<u>4,331,797</u>	<u>3,190,817</u>
Non-capital reserves:		
Workplace Safety and Insurance Board (WSIB)	296,467	296,467
Students at Risk	137,923	–
	<u>434,390</u>	<u>296,467</u>
	<u>\$ 5,266,187</u>	<u>\$ 3,487,284</u>

The capital reserves are used to help fund capital related expenditures incurred as a result of new school construction or renovations/improvements to existing schools/administration buildings.

The Workplace Safety and Insurance Board reserve was established to fund the Board's WSIB stop loss deductible in the event of a major claim.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Financial Statements, page 6

Year ended August 31, 2003

5. Reserves (continued):

The Students at Risk reserve relates to a grant allocation for teacher training in literacy and numeracy, improving outcomes on the literacy test, implementing the new secondary literacy course and developing and implementing new program pathways. The Board is required to provide detailed reporting on how the allocation was spent.

6. Debt charges and capital loan interest:

The revenue fund expenditures include debt charges and capital loan interest consisting of principal, sinking fund contributions and interest payments as follows:

	2003	2002
Principal payments on long-term liabilities including contributions to sinking funds	\$ 1,254,625	\$ 1,229,363
Interest payments on long-term liabilities	1,890,140	1,583,753
Interest on temporary financing of capital projects	161,694	163,486
	<u>\$ 3,306,459</u>	<u>\$ 2,976,602</u>

7. Pension plan costs:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer defined benefit contribution plan. No employer contributions were made to the plan during the September to December 2002 period due to a "contribution holiday" to all contributors. Contributions at a reduced rate were reinstated effective January 1, 2003.

From January to August 2003, the Board contributed \$175,542 to the OMERS plan. Management's estimate of the total premium that otherwise would have had to have been paid is \$804,861. This premium is based on rates of 6% of contributory earnings up to the yearly maximum pensionable earnings (YMPE), and 7.5% of contributory earnings over the YMPE. OMERS has approved new rates for January 2004 at 6% of contributory earnings up to the YMPE and 8.8% of contributory earnings over the YMPE.

Not shown in the financial statements of the Board are the employer's contributions to the Teachers' Pension Plan. The funding for these contributions is provided directly by the Provincial Government of Ontario.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Financial Statements, page 7

Year ended August 31, 2003

8. Ontario School Boards Insurance Exchange:

The 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.

9. Contractual obligations and contingent liabilities:

(a) Pending lawsuits:

The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

(b) Contractual obligations:

The Board has a total of \$1,197,559 of contractual obligations at year end relating to the construction or renovation of buildings.

10. Revenue fund statement of operations:

The 2002-2003 budget estimates presented on the revenue fund statement of operations are the budget amounts approved by the Board and submitted to the Ministry of Education. These amounts have not been audited by the Board's external auditor and do not include the funding enhancements announced in December 2002. These enhancements are included in the actual revenues for the 2002-2003 operations.

11. Other capital contributions:

On June 1, 2003, the Board received \$5,138,566 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 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 the future provincial grants payable of 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 as of August 31, 2003.

12. Comparative figures:

Certain 2002 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2003.