

Consolidated Financial Statements of

**DISTRICT SCHOOL  
BOARD OF NIAGARA**

And Independent Auditors' Report thereon

Year ended August 31, 2019



**I Matter  
At DSBN**

**DISTRICT SCHOOL BOARD OF NIAGARA**

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## **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 Audit Committee of the Board meets with the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's approval of the consolidated 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.

Warren Moshizaki  
Director of Education & Secretary

Stacy Veld  
Superintendent of Business Services & Treasurer

November 26, 2019



KPMG LLP  
80 King Street, Suite 620  
St. Catharines ON L2R 7G1  
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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the consolidated financial statements of the District School Board of Niagara (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of change in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2019, and its consolidated results of operations and its consolidated cash flows for the year then ended 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.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



### ***Emphasis of matter – Financial Reporting Framework***

We draw attention to Note 1 in the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Chartered Professional Accountants, Licensed Public Accountants

St. Catharines, Canada  
November 26, 2019

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Financial Position


August 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 37,126,671	\$ 46,453,140
Accounts receivable	19,186,139	18,576,205
Accounts receivable – Government of Ontario (note 2)	124,934,935	103,731,800
Investments (note 3)	37,044,570	44,619,775
Assets held for sale (note 4)	1,551,904	258,929
<b>Total financial assets</b>	<b>219,844,219</b>	<b>213,639,849</b>
<b>Financial Liabilities</b>		
Temporary borrowing (note 5)	6,072,173	4,123,483
Accounts payable and accrued liabilities	35,130,190	35,418,056
Deferred revenue (note 6)	39,293,375	34,103,132
Deferred capital contributions (note 7)	360,564,218	364,885,664
Net long-term liabilities (note 8)	91,160,244	95,251,045
Employee future benefits (note 9)	11,768,195	13,063,398
<b>Total financial liabilities</b>	<b>543,988,395</b>	<b>546,844,778</b>
<b>Net debt</b>	<b>(324,144,176)</b>	<b>(333,204,929)</b>
<b>Non-Financial Assets</b>		
Prepaid expenses	384,763	482,399
Tangible capital assets (note 10)	395,790,483	387,809,935
<b>Total non-financial assets</b>	<b>396,175,246</b>	<b>388,292,334</b>
<b>Commitments (note 16)</b>		
<b>Accumulated surplus (note 11)</b>	<b>\$ 72,031,070</b>	<b>\$ 55,087,405</b>

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, 2019, with comparative information for 2018

	Original Budget	2019	2018
<b>Revenue:</b>			
Provincial legislative grants	\$ 426,810,656	\$ 439,763,470	\$ 416,136,388
Provincial grants – other	4,460,127	5,207,262	8,336,442
Government of Canada	165,500	149,047	85,781
Investment income	1,700,000	2,068,969	1,886,908
Other	3,331,627	6,373,958	8,394,780
School fundraising and other revenue	8,360,639	8,402,754	8,767,876
Amortization of deferred capital contributions	28,070,749	25,970,326	29,362,734
<b>Total revenue</b>	<b>472,899,298</b>	<b>487,935,786</b>	<b>472,970,909</b>
<b>Expenses:</b>			
Instruction	362,743,667	359,510,241	351,326,970
Administration	12,401,121	12,859,408	12,882,559
Transportation	18,854,194	20,048,980	18,319,343
School operation and maintenance	41,026,221	39,626,483	39,309,829
Pupil accommodation	31,194,087	29,703,882	32,711,625
Other	692,373	728,854	3,554,687
School funded activities	8,360,639	8,514,273	8,153,104
<b>Total expenses (note 14)</b>	<b>475,272,302</b>	<b>470,992,121</b>	<b>466,258,117</b>
<b>Annual surplus (deficit)</b>	<b>(2,373,004)</b>	<b>16,943,665</b>	<b>6,712,792</b>
<b>Accumulated surplus, beginning of year</b>	<b>46,946,029</b>	<b>55,087,405</b>	<b>48,374,613</b>
<b>Accumulated surplus, end of year (note 11)</b>	<b>\$ 44,573,025</b>	<b>\$ 72,031,070</b>	<b>\$ 55,087,405</b>

See accompanying notes to consolidated financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Change in Net Debt

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Annual surplus	\$ 16,943,665	\$ 6,712,792
Tangible capital assets activity:		
Acquisition of tangible capital assets	(37,596,324)	(33,177,721)
Amortization of tangible capital assets	26,724,720	26,092,910
Gain (loss) on sale of tangible capital assets	9,581	(96,359)
Proceeds on sale of tangible capital assets	-	96,359
Transfer to asset held for sale	2,881,475	258,929
Write-downs of tangible capital assets	-	3,449,883
Other non-financial asset activity:		
Acquisition of prepaid expenses	(338,110)	(376,532)
Use of prepaid expenses	435,746	488,503
Change in net debt	9,060,753	3,448,764
Net debt, beginning of year	(333,204,929)	(336,653,693)
Net debt, end of year	\$ (324,144,176)	\$ (333,204,929)

See accompanying notes to consolidated financial statements.



# DISTRICT SCHOOL BOARD OF NIAGARA

## Consolidated Statement of Cash Flows

Year ended August 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 16,943,665	\$ 6,712,792
Items not involving cash:		
Amortization and write-off of tangible capital assets	26,724,720	29,542,793
Gain on sale of capital assets and assets held for sale	(1,770,147)	(3,338,722)
Change in employee benefits and other liabilities	(1,295,203)	(939,580)
Amortization of deferred capital contributions	(25,960,747)	(28,791,146)
	14,642,288	3,186,137
Change in non-cash assets and liabilities:		
Accounts receivable	(609,934)	(973,866)
Accounts payable and accrued liabilities	(287,866)	(3,705,923)
Deferred revenue	5,190,243	3,757,838
Prepaid expenses	97,636	111,971
Net change in cash from operating activities	19,032,367	2,376,157
Capital Activities:		
Proceeds on sale of assets held for sale	3,368,228	8,779,886
Cash used to acquire tangible capital assets	(37,596,324)	(33,177,721)
Net change in cash from capital activities	(34,228,096)	(24,397,835)
Investing Activities:		
Investments	7,575,205	(2,415,216)
Net change in cash from investing activities	7,575,205	(2,415,216)
Financing Activities:		
Temporary borrowing	1,948,690	(5,372,133)
Long-term debt repaid	(4,090,801)	(3,913,556)
Accounts receivable – Government of Ontario	(21,203,135)	12,143,935
Deferred capital contributions	21,639,301	32,190,939
Net change in cash from financing activities	(1,705,945)	35,049,185
Net change in cash	(9,326,469)	10,612,291
Cash and cash equivalents, beginning of year	46,453,140	35,840,849
Cash and cash equivalents, end of year	\$ 37,126,671	\$ 46,453,140

See accompanying notes to consolidated financial statements.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 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.

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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 1. Significant accounting policies (continued):

### 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.

### e. Investments:

Temporary investments consist of marketable securities which are liquid temporary investments with maturities between three months and one year at the date of acquisition and are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost less an allowance for impairment. These investments are assessed regularly for permanent impairment.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 1. Significant accounting policies (continued):

### f. 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:

<b>Asset</b>	<b>Useful Life - Years</b>
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

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 are classified as assets held for sale and recognized as a financial asset only when the Board has committed to selling the asset, the asset is in a condition to be sold, the asset is publicly seen to be for sale, there is an active market for the asset and there is a plan in place to sell the asset. It must be anticipated that the sale will take place within one year of the date of the financial statements.

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

Donated or contributed assets are capitalized and recorded at their estimated fair value upon acquisition and recognized in deferred capital contributions and amortized to revenue over the estimated useful life.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 1. Significant accounting policies (continued):

### g. 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.

### h. 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

### i. Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance, health care benefits, dental benefits, retirement gratuity, worker's compensation, and long-term disability benefits.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-2017: ETFO and OSSTF. The following ELHTs were established in 2017-2018: CUPE, EWBT and ONE-T for non-unionized employees including principals and vice-principals. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals prior to the Board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. The Board no longer administers health, life and dental plans for their employees and instead are required to fund the ELHTs on a monthly basis based on a negotiated amount per full-time equivalency (FTE). Upon transition of the employee groups' health, dental and life benefits plans to the ELHT, school boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), including additional ministry funding in the form of a Crown contribution as well as Stabilization Adjustment.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 1. Significant accounting policies (continued):

Depending on prior arrangements and employee groups, the Board continues to provide health, dental and life insurance benefits for retired individuals that were previously represented by ETFO, OSSTF and CUPE.

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 certain employee groups, the cost of retirement gratuities is 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. 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.

### j. Investment income:

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation and special education forms part of the respective deferred revenue balances.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 1. Significant accounting policies (continued):

### k. School fundraising and other revenue:

School fundraising and other revenue are reported as revenue in the period earned.

### l. 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. If government transfers contain stipulations, which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are included in deferred capital contributions as described in note 1h.

### m. 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 on June 25, 2018, 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.

### n. Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1a 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.

### o. Property tax revenue:

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 2. 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 \$106,068,868 as at August 31, 2019 (2018 - \$103,731,800) with respect to capital grants.

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2019 is \$18,866,067.

## 3. Investments:

Investments are comprised of:

	Cost	2019 Market	Cost	2018 Market
Long-term investments				
Guaranteed Investment Certificates	\$ 37,044,570	\$ 37,044,570	\$ 44,619,775	\$ 44,619,775
Total investments	\$ 37,044,570	\$ 37,044,570	\$ 44,619,775	\$ 44,619,775

## 4. Assets held for sale:

As at August 31, 2019, \$1,551,904 (2018 - \$258,929) related to buildings and \$nil (2018 - \$nil) related to land were recorded as assets held for sale. During the year, net proceeds of \$3,368,228 (2018 - \$8,779,886) were received on the sale of properties included in assets held for sale. The carrying value of the assets comprising this property was \$1,588,500 (2018 - \$5,441,164), resulting in a gain of \$1,779,728 (2018 - \$3,338,772). Proceeds were deferred for future capital assets purchases according to Ontario Regulation 193/10.



# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

## 5. Temporary borrowing:

Temporary borrowing reported on the consolidated statement of financial position bear interest at banker's acceptance plus 75 basis points with maximum term of 90 days. Temporary borrowing comprises the following:

	2019	2018
BA note, due October 17, 2019	\$ 383,365	\$ -
BA note, due October 30, 2019	5,688,808	-
BA note, due September 6, 2018	-	1,146,145
BA note, due October 10, 2018	-	1,019,333
BA note, due October 18, 2018	-	950,730
BA note, due October 30, 2018	-	1,007,275
<b>Balance, end of year</b>	<b>\$ 6,072,173</b>	<b>\$ 4,123,483</b>

## 6. 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 or agreement as at August 31, 2019, is comprised of:

	Balance as at August 31, 2018	Externally Restricted Revenue	Revenue recognized in the period	Transfers to deterred capital contributions (note 7)	Balance as at August 31, 2019
School renewal	\$ 8,823,217	\$ 23,234,803	\$ 13,227,719	\$ 10,412,682	\$ 8,417,619
Other provincial grants	-	536,161	-	536,161	-
Proceeds of disposition	21,049,996	4,912,311	-	261,351	25,700,956
Legislative grants - operating	1,527,116	58,249,457	58,218,303	-	1,558,270
Other	2,702,803	3,563,517	2,649,790	-	3,616,530
<b>Total deferred revenue</b>	<b>\$ 34,103,132</b>	<b>\$ 90,496,249</b>	<b>\$ 74,095,812</b>	<b>\$ 11,210,194</b>	<b>\$ 39,293,375</b>

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

## 7. 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.

	2019	2018
Balance, beginning of year	\$ 364,885,664	\$ 361,485,871
Additions to deferred capital contributions	10,429,107	20,574,576
Transfer from deferred revenue (note 6)	11,210,194	11,616,363
Amortization of deferred capital contributions	(25,960,747)	(28,791,146)
Balance, end of year	\$ 360,564,218	\$ 364,885,664

## 8. Net long-term liabilities:

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

	2019	2018
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 13,669,856	\$ 14,276,883
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	9,150,556	9,605,717
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	17,654,066	18,682,234
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	2,530,686	2,733,670
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	7,424,881	7,718,201
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	4,205,087	4,364,149
Debenture, bearing interest at the rate of 3.564% due March 9, 2037	14,557,571	15,134,259
Debenture, bearing interest at the rate of 3.799% due March 19, 2038	16,447,383	17,036,034
Debenture, bearing interest at the rate of 4.003% due March 19, 2039	5,520,158	5,699,898
Balance, end of year	\$ 91,160,244	\$ 95,251,045

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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

Principal and interest payments relating to net long-term liabilities of \$91,160,244 outstanding as at August 31, 2019 are due as follows:

	Principal	Interest	Total
2020	\$ 4,276,207	\$ 3,955,732	\$ 8,231,939
2021	4,470,156	3,763,015	8,233,171
2022	4,673,048	3,561,413	8,234,461
2023	4,885,302	3,350,510	8,235,812
2024	5,107,356	3,129,872	8,237,228
Thereafter	67,748,175	17,934,225	85,682,400
	\$ 91,160,244	\$ 35,694,767	\$ 126,855,011

## 9. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2019 Total employee future benefits	2018 Total employee future benefits
Accrued benefit obligation	\$ 7,291,051	\$ 4,841,432	\$ 12,132,483	\$ 13,371,407
Unamortized actuarial loss	(364,288)	-	(364,288)	(308,009)
Balance, end of year	\$ 6,926,763	\$ 4,841,432	\$ 11,768,195	\$ 13,063,398

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2019 Total employee future benefits	2018 Total employee future benefits
Current year benefit costs	\$ 108,518	\$ 716,070	\$ 824,588	\$ 1,824,288
Interest on accrued benefit obligation	221,782	132,933	354,715	347,022
Employee future benefits expenses	\$ 330,300	\$ 849,003	\$ 1,179,303	\$ 2,171,310
Total payments made during the year			\$ 2,474,506	\$ 3,110,890

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 9. Employee future benefits (continued):

Included in expenses is \$79,862 (2018 – \$163,661) for amortization of the actuarial loss. The unamortized actuarial gain/loss is amortized over the expected average remaining service life of 4.55 years (2018 – 3.77 years). The amortized actuarial loss arising in the year was \$136,141 (2018 – gain \$100,181).

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, 2019, the Board contributed \$5,582,224 (2018 - \$5,145,431) 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.

The OMERS pension plan had a deficit of \$4.2 billion as at December 31, 2018 (2017 - \$5.4 billion) based on the actuarial valuation of the pension benefit obligation. Ongoing adequacy of the current contribution rates will need to be monitored and may lead to increased future funding requirements.

(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. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service up to August 31, 2012.

(iv) Retirement life insurance and health care benefits:

The Board provides life insurance, dental and health care benefits to a certain employee group after retirement. The premiums are based on the Board experience and retirees' premiums may be 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.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 9. Employee future benefits (continued):

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 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

(ii) Long-term disability:

The Board provides certain benefits to employees who were on long-term disability at the time of transition to the ELHT. As a result, salary compensation and benefits for these employees remain the responsibility of the Board. These costs are fully insured and not included in the defined benefit plan.

(iii) Sick leave top-up benefits:

A maximum of eleven 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 financial statements are \$235,566 (2018 – \$278,630).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2019, and is based on the average daily salary and banked sick days of employees as at August 31, 2019.

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:

	2019	2018
Inflation	1.50%	1.50%
Wage and salary escalation	nil	nil
Insurance and health care cost escalation	7.50% decreasing by ¼% each year to 4.50%	7.75% decreasing by ¼% each year to 4.00%
Dental cost escalation	4.50%	3.75% decrease by ¼% each year to 3.00%
Discount on accrued benefit obligations	2.00%	2.90%

Included in the Board's accumulated surplus as of August 31, 2019, the amount of \$nil (2018 - \$272,449) has been internally restricted for these employee future benefit obligations.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

## 10. Tangible capital assets:

Cost	Balance at August 31, 2018	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2019
Land	\$ 8,734,105	\$ 11,609,846	\$ -	\$ (1,400)	\$ 20,342,551
Land improvements	19,955,753	8,511,567	287,000	-	28,754,320
Buildings	639,257,507	9,501,279	19,818,377	(16,047,075)	652,530,088
Portable structures	3,987,072	643,715	-	-	4,630,787
First-time equipping of schools	5,631,578	-	-	-	5,631,578
Furniture	1,142,018	94,867	-	-	1,236,885
Equipment	6,563,009	501,575	(395,385)	-	6,669,199
Computer hardware	4,772,610	2,678,508	(713,369)	-	6,737,749
Computer software	582,014	63,492	(114,649)	-	530,857
Vehicles	2,178,349	142,433	(57,772)	-	2,263,010
Assets under construction	21,298,415	3,849,042	(20,105,379)	-	5,042,078
<b>Total</b>	<b>\$ 714,102,430</b>	<b>\$ 37,596,324</b>	<b>\$ (1,281,177)</b>	<b>\$(16,048,475)</b>	<b>\$ 734,369,102</b>

Accumulated Amortization	Balance at August 31, 2018	Amortization	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2019
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	4,480,986	1,557,960	-	-	6,038,946
Buildings	309,743,620	21,945,189	-	(13,167,000)	318,521,809
Portable structures	1,917,542	238,115	-	-	2,155,657
First-time equipping of schools	2,418,469	563,158	-	-	2,981,627
Furniture	286,678	118,945	-	-	405,623
Equipment	3,374,540	820,377	(385,806)	-	3,809,111
Computer hardware	2,212,123	1,151,036	(713,369)	-	2,649,790
Computer software	237,172	111,287	(114,649)	-	233,810
Vehicles	1,621,365	218,653	(57,772)	-	1,782,246
Assets under construction	-	-	-	-	-
<b>Total</b>	<b>\$ 326,292,495</b>	<b>\$ 26,724,720</b>	<b>\$ (1,271,596)</b>	<b>\$(13,167,000)</b>	<b>\$ 338,578,619</b>

	Net Book Value August 31, 2018	Net Book Value August 31, 2019
Land	\$ 8,734,105	\$ 20,342,551
Land improvements	15,474,767	22,715,374
Buildings	329,513,887	334,008,279
Portable structures	2,069,530	2,475,130
First-time equipping of schools	3,213,109	2,649,951
Furniture	855,340	831,262
Equipment	3,188,469	2,860,088
Computer hardware	2,560,487	4,087,959
Computer software	344,842	297,047
Vehicles	556,984	480,764
Assets under construction	21,298,415	5,042,078
<b>Total</b>	<b>\$ 387,809,935</b>	<b>\$ 395,790,483</b>

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## 10. Tangible capital assets (continued):

Assets under construction:

Assets under construction having a value of \$5,042,078 (2018 – \$21,298,415) have not been amortized. Amortization of these assets will commence when the asset is put into service.

Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2018 - \$3,449,883).

Contributed tangible capital assets:

The Board received no contributed tangible capital assets in 2019 or 2018.

Works of arts and historical treasures:

The Board has works of arts and historical treasures including fine arts and archival collections that are preserved by the Board but are not recorded as tangible capital assets.

## 11. Accumulated surplus:

Accumulated surplus consists of the following:

	2019	2018
Internally appropriated	\$ 46,662,282	\$ 43,066,623
Externally appropriated		
Employee future benefits	-	(1,797,570)
Interest to be accrued	(1,176,212)	(1,229,721)
School generated funds	6,202,449	6,313,968
Revenues recognized for land	20,342,551	8,734,105
Balance, end of year	\$ 72,031,070	\$ 55,087,405

## 12. Debt charges:

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

	2019	2018
Principal payments on long-term liabilities	\$ 4,090,801	\$ 3,913,556
Interest payments on long-term liabilities	4,167,618	4,344,863
	\$ 8,258,419	\$ 8,258,419

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

## 13. 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. The Board’s pro-rata share for 2019 is 64.5% (2018 – 66.4%). Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information:

	2019		2018	
	Total	Board portion	Total	Board portion
<b>Financial Position:</b>				
Financial assets	\$ 213,528	\$ 137,726	\$ 123,258	\$ 81,843
Financial liabilities	(215,572)	(139,044)	(129,388)	(85,913)
Non-financial assets	2,044	1,318	6,130	4,070
Accumulated surplus	\$ -	\$ -	\$ -	\$ -
<b>Operations:</b>				
Revenues	\$ 29,685,002	\$ 19,146,826	\$ 27,663,830	\$ 18,368,783
Expenses	29,685,002	19,146,826	27,663,830	18,368,783
Annual surplus	\$ -	\$ -	\$ -	\$ -



# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

## 14. Expenses by object:

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

	2019 Budget	2019 Actual	2018 Actual
Current expenses:			
Salary and wages	\$ 325,299,876	\$ 320,569,379	\$ 314,635,298
Employee benefits	52,298,507	50,940,350	48,159,333
Staff development	2,149,469	1,797,689	1,762,853
Supplies and services	36,886,330	37,301,869	36,967,158
Interest	4,482,238	4,425,673	4,686,285
Rental expenses	31,839	72,142	33,394
Fees and contract services	24,548,962	28,224,553	26,151,031
Other	860,484	926,169	3,748,381
Amortization	28,714,597	26,734,297	30,114,384
	<u>\$ 475,272,302</u>	<u>\$ 470,992,121</u>	<u>\$ 466,258,117</u>

## 15. Ontario School Board Insurance Exchange (OSBIE):

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.

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, 2021.

## 16. Commitments:

The Board is committed to pay \$38,387,171 for capital expenditures.

## 17. Trust funds:

Trust funds administered by the Board amounting to \$1,578,206 (2018 - \$2,137,604) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

# DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2019

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## **18. Repayment of the “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.

## **19. 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 consolidated financial statements.