

Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Year ended August 31, 2011



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 compliance with legislation, and in accordance with the financial reporting provision described in note 1 to the consolidated financial statements. A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

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

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



Warren Hoshizaki
Director of Education, Secretary & Treasurer



Joe Weinberg
Superintendent of Business Services



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INDEPENDENT AUDITOR'S 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, 2011, 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. The consolidated financial statements have been prepared by management based on the financial reporting provisions described in note 1 to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation 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 and fair presentation 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the District School Board of Niagara as at August 31, 2011, and its consolidated results of operations and changes in its consolidated net debt and consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to note 1 to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared to assist the District School Board of Niagara to meet the requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a single horizontal line that starts under the 'K' and extends to the right, ending under the 'P'.

Chartered Accounts, Licensed Public Accountants

November 22, 2011
St. Catharines, Canada

DISTRICT SCHOOL BOARD OF NIAGARA


Consolidated Statement of Financial Position

August 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated-note 2)
Financial Assets		
Cash and cash equivalents	\$ 41,108,367	\$ 38,736,287
Accounts receivable	16,552,247	16,300,976
Accounts receivable – Government of Ontario (note 3)	92,361,377	80,290,935
Assets held for sale (note 4)	200,586	-
Total financial assets	150,222,577	135,328,198
Financial Liabilities		
Accounts payable and accrued liabilities	26,012,603	21,423,566
Deferred revenue (note 5)	8,627,329	2,452,468
Net long-term liabilities (note 7)	73,321,331	69,796,134
Employee future benefits (note 8)	37,760,236	37,317,090
Deferred capital contributions (note 6)	296,866,227	293,138,700
Total financial liabilities	442,587,726	424,127,958
Net liabilities	(292,365,149)	(288,799,760)
Non-Financial Assets		
Prepaid Expenses	178,787	16,664
Inventories, at cost	6,875	183,182
Tangible capital assets (note 9)	310,016,448	302,790,946
Total non-financial assets	310,202,110	302,990,792
Commitments (note 16)		
Accumulated Surplus (note 10)	\$ 17,836,961	\$ 14,191,032

See accompanying notes to financial statements.

On behalf of the Board


Chair


Director of Education

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Operations

Year ended August 31, 2011, with comparative figures for 2010

	Original Budget (Restated) (Unaudited-note 19)	2011	2010 (Restated-note 2)
Revenue:			
Local taxation	\$ 113,561,505	\$ 114,018,402	\$ 112,589,020
Provincial Legislative grant	266,106,768	270,931,037	258,004,608
Provincial grants - other	5,969,492	7,126,229	14,378,556
Provincial grants - OYAP	153,000	150,615	153,205
Government of Canada	-	185,344	112,433
Investment income	50,000	591,824	207,041
Other	2,550,291	3,371,875	3,139,789
School fundraising and other revenue	11,201,264	11,686,157	12,624,001
Total revenue	399,592,320	408,061,483	401,208,653
Expenditures:			
Instruction	304,002,565	309,139,323	299,423,991
Administration	10,080,313	9,946,738	10,344,723
Transportation	16,373,789	16,376,002	15,996,501
School operation and maintenance	38,574,888	36,589,607	37,018,933
Pupil accommodation	20,665,686	20,016,353	19,080,805
Other	683,672	683,672	683,672
School funded activities	11,201,264	11,663,859	12,351,298
Total expenditures (note 13)	401,582,177	404,415,554	394,899,923
Annual surplus (deficit)	(1,989,857)	3,645,929	6,308,730
Accumulated surplus, beginning of year	14,191,032	14,191,032	7,882,302
Accumulated surplus, end of year	12,201,175	17,836,961	14,191,032

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Change in Net Debt

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated-note 2)
Annual surplus	\$ 3,645,929	\$ 6,308,730
Acquisition of tangible capital assets	(27,237,398)	(23,944,678)
Amortization of tangible capital assets	19,811,310	18,769,370
Loss on sale of tangible capital assets	-	243,138
Transfer to asset held for sale	200,586	-
Proceeds on sale of tangible capital assets	-	48,325
Acquisition of inventories	(991,484)	(1,267,312)
Acquisition of prepaid expenses	(194,438)	(8,070)
Consumption of inventories	1,167,791	1,373,248
Use of prepaid expenses	32,315	3,940
Change in net debt	(3,565,389)	1,526,691
Net debt, beginning of year	(288,799,760)	(290,326,451)
Net debt, end of year	\$ (292,365,149)	\$(288,799,760)

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Cash Flow

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated-note 2)
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 3,645,929	\$ 6,308,730
Items not involving cash:		
Amortization	19,811,310	18,769,370
Loss on sale of tangible capital assets	-	287,138
Change in employee benefits and other liabilities	443,146	(470,009)
Revenue recognized from deferred capital contributions	(19,489,710)	(18,564,113)
	4,410,675	6,331,116
Change in non-cash assets and liabilities:		
Accounts receivable	(12,321,713)	(9,642,658)
Accounts payable and accrued liabilities	4,589,037	(1,241,994)
Deferred revenue	6,174,861	(1,536,039)
Inventories of supplies and prepaids	14,184	101,806
Deferred capital contributions	23,217,237	22,119,564
Net change in cash from operating activities	26,084,281	16,131,795
Capital Activities:		
Proceeds on sale of tangible capital assets	-	48,325
Cash used to acquire tangible capital assets	(27,237,398)	(23,944,678)
Net change in cash from capital activities	(27,237,398)	(23,896,353)
Financing Activities:		
Debt issued and assumed	5,288,170	9,591,178
Long-term debt repaid	(1,762,973)	(1,496,253)
Net change in cash from financing activities	3,525,197	8,094,925
Net change in cash	2,372,080	330,367
Cash and cash equivalents, beginning of year	38,736,287	38,405,920
Cash and cash equivalents, end of year	\$41,108,367	\$38,736,287

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

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:

These consolidated financial statements have been prepared in accordance with Ontario Regulation 196/10 which requires school boards to comply with all regulations, policies, guidelines, directives and similar instruments. In 2004, directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". The Ontario Ministry of Education provided direction on the adoption of this new standard in memorandum 2011:B08. The Ontario Ministry of Education required the implementation of this Government Transfers standard on a retroactive basis as described in note 2 to the financial statements.

The Ministry direction requires school boards to record a liability (deferred capital contribution) equal to the amount of the net book value of the depreciable assets at September 1, 2010 that have been Ministry approved. This direction, therefore, results in property tax revenue which was used to acquire or construct depreciable capital assets prior to 1998 when school boards ceased to have taxing authority, being afforded the same treatment as government capital grants, which is to recognize related revenue over the remaining useful life of the asset as disclosed in note 2. Under the Public Sector Accounting Standards property tax revenue should be recorded as revenue when received or receivable in accordance with Public Sector Accounting Standard PS 3510 "Tax Revenue".

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

1. Significant accounting policies (continued):

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities:

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, 2011

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 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.

(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 expenditures are incurred or services performed.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

(g) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance and health care benefits, retirement gratuity, and worker's compensation. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest over the periods of service provided by employees, such as retirement gratuities and life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Employee future benefits for sick leave that accumulate but do not vest have also been actuarially determined using the projected benefits method. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (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, 2011

1. Significant accounting policies (continued):

(h) 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 that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(i) 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, education development charges and special education forms part of the respective deferred revenue balances.

(j) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and the basis of accounting used by the school board in the preparation of the financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

(k) 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 amount 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 expenditures during the year. Actual results could differ from these current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenditures in the periods in which they become known. Significant estimates include assumptions used in estimating the collectability of accounts receivable to determine the allowance for doubtful accounts, in estimating provisions for accrued liabilities and in performing actuarial valuations of employee future benefits liabilities.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

2. Change in accounting policies:

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook section 3410 Government Transfers as described in Note 1. This change has been applied retroactively and prior periods have been restated. Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

At the direction of the Ministry, the Board has calculated the opening DCC balance as at September 1, 2010 as the value of the depreciable tangible capital assets less the unsupported capital debt, both at August 31, 2010. The unsupported capital debt is the portion of the board's outstanding debt that is not supported by Ministry funding. This calculation provides a cost effective solution to determine the opening balance, allowing for the standard to be implemented retroactively. Retroactive implementation results in a set of financial statements that is relevant, understandable to the user and comparable over periods and amongst school boards in Ontario.

This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at August 31, 2010:	
Accumulated surplus, as previously reported	\$ 307,586,805
Transfer to deferred revenue gain on disposition	(257,073)
Transfer to deferred capital contributions	(293,138,700)
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Accumulated surplus, as restated	\$ 14,191,032
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Annual surplus for the year ended August 31, 2010:	
Change in net assets/(liabilities), as previously reported	\$ 80,505,477
Plus: Amounts recognized in revenue	18,564,113
Less: In-year Provincial capital contributions	(92,760,860)
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Annual surplus, as restated	\$ 6,308,730

The impact for the year ended August 31, 2011 is as follows:

Annual surplus for the year ended August 31, 2011:	
Change in net assets/(liabilities), as per prior year policy	\$ 7,571,604
Plus: Amounts recognized in revenue	19,489,710
Less: In-year Provincial capital contributions	(23,415,385)
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Annual surplus, as currently reported	\$ 3,645,929

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

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 will receive 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 on Ontario of \$92,361,377 as at August 31, 2011 (2010 - \$80,290,935) with respect to capital grants.

4. Assets Held for Sale:

As of August 31, 2011, \$198,146 (2010 - \$nil) related to a building and \$2,440 (2010 - \$nil) related to land were recorded as assets held for sale. During the year, no school properties were sold, and properties with a net book value of \$200,586 were reclassified.

5. Deferred revenue:

The use of certain funds are restricted by the provincial government regulations.

Deferred revenue set aside for specific purposes by legislation, regulation of agreement as at August 31, 2011 is comprised of:

	2011	2010
		(Restated – note 2)
Proceeds of disposition – school buildings	\$ 2,053	\$ 538,583
Proceeds of disposition– other	44,000	44,000
Proceeds of disposition – assets held for sale	198,147	-
Energy efficient schools – capital	2,583,689	236,060
Other Ministry grants	759,821	1,144,684
Other third party revenue	352,603	379,246
Professional development	77,688	109,895
SEA formula based funding	178,736	-
School Renewal	4,350,205	-
Renewable energy – capital	80,387	-
	<u>\$ 8,627,329</u>	<u>\$ 2,452,468</u>

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

5. Deferred revenue (continued):

The deferred revenue reported on the Consolidated Statement of Financial Position are comprised of the following:

	2011	2010
		(Restated – note 2)
Balance, beginning of year	\$ 2,452,468	\$ 3,978,897
Revenue:		
Gain on disposal	-	301,073
Grants	67,476,520	52,033,751
Interest income	-	2,053
Third party	794,679	362,546
Transfer to deferred capital contributions	(9,521,505)	(12,469,922)
Total revenue	61,202,162	44,208,398
Expenditures	(52,574,833)	(41,755,930)
Balance, end of year	\$ 8,627,329	\$ 2,452,468

6. Deferred Capital Contributions

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. The Ministry provided direction to the school boards in the establishment of the opening balance of the deferred capital contributions as disclosed in note 2.

	2011	2010
Balance, beginning of year	\$ 293,138,700	\$ 219,199,026
Additions to deferred capital contributions	13,893,879	80,290,938
Transfer from deferred revenue	9,521,505	12,469,922
Transfers (to) deferred revenue	(198,147)	(257,073)
Revenue recognized in the year	(19,489,710)	(18,564,113)
Balance, end of year	\$ 296,866,227	\$ 293,138,700

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

7. Net long-term liabilities:

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

	2011	2010
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 17,773,381	\$ 18,180,316
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	12,243,268	12,552,279
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	24,716,168	25,432,992
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	3,903,210	4,039,369
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	9,397,134	9,591,178
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	5,288,170	-
Balance, end of year	\$ 73,321,331	\$ 69,796,134

Principal payments relating to net long-term liabilities of \$73,321,331 outstanding as at August 31, 2011 are due as follows:

	Principal	Interest	Total
2012	\$ 1,963,338	\$ 3,524,562	\$ 5,487,900
2013	2,059,664	3,428,981	5,488,645
2014	2,160,728	3,328,385	5,489,113
2015	2,266,764	3,223,002	5,489,766
2016	2,378,047	3,112,434	5,490,481
Thereafter	62,492,790	29,921,068	92,413,858
	\$ 73,321,331	\$ 46,538,432	\$ 119,859,763

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

8. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2011 Total employee future benefits	2010 Total employee future benefits
Accrued benefit obligation	\$ 18,195,843	\$ 28,527,660	\$ 46,723,503	\$ 40,601,220
Unamortized actuarial gain (loss)	1,741,729	(10,704,996)	(8,963,267)	(3,284,130)
Balance, end of year	\$ 19,937,572	\$ 17,822,664	\$ 37,760,236	\$ 37,317,090

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2011 Total employee future benefits	2010 Total employee future benefits
Current year benefit costs	\$ 709,671	\$ 3,090,187	\$ 3,799,858	\$ 2,825,783
Interest on accrued benefit obligation	720,225	954,377	1,674,602	1,629,102
Employee future benefits expenses	\$ 1,429,896	\$ 4,044,564	\$ 5,474,460	\$ 4,454,885
Total payments made during the year			\$ 5,031,314	\$ 4,924,894

Included in expenditures is \$652,607 (2010 - \$141,157) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

8. Employee future benefits (continued):

Retirement benefits:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are the direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

(ii) Ontario Municipal Employees Retirement System:

All administrative 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. Effective January 1, 2005, employee contribution rates returned to levels of up to 9.6% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2011, the Board contributed \$3,228,106 to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's financial statements.

(iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's financial statements.

(iv) Retirement life insurance and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age, at a cost to the retired member. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's financial statements.

Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

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

(iii) Sick leave:

The Board has accrued for sick leave that accumulates but does not vest.

The accrued benefit obligations for employee future benefit plans as at August 31, 2011 are based on an actuarial valuation for accounting purposes as at August 31, 2011. These actuarial valuations were based on assumption about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	%
Inflation	2.0
Wage and salary escalation	3.0
Insurance and health care cost escalation	10% decreasing by ½% each year to 4.0%
Dental cost escalation	6% decreasing by ½% each year to 3.0%
Discount on accrued benefit obligations	4.0

Included in the Board's accumulated surplus as of August 31, 2011, the amount of \$1,805,407 has been internally restricted for these employee future benefit obligations.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

9. Tangible Capital Assets:

Cost	Balance at August 31, 2010	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2011
Land	\$ 6,411,120	\$ -	\$ (2,440)	\$ 6,408,680
Land improvements	3,155,094	323,032	(15,186)	3,462,940
Buildings	470,570,678	23,903,011	(2,732,055)	491,741,634
Portable structures	4,097,972	-	(378,900)	3,719,072
First-time equipping of schools	694,130	407,082	-	1,101,212
Furniture	150,837	109,305	(14,189)	245,953
Equipment	4,649,889	1,734,412	(2,092,303)	4,291,998
Computer hardware	12,230,542	485,240	(2,901,605)	9,814,177
Computer software	676,340	266,719	(214,180)	728,879
Vehicles	852,510	8,597	-	861,107
Total	\$503,489,112	\$27,237,398	\$ (8,350,858)	\$ 522,375,652

Accumulated Amortization	Balance at August 31, 2010	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2011
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	554,483	247,117	(5,062)	796,538
Buildings	188,361,670	16,145,844	(2,544,032)	201,963,482
Portable structures	1,877,859	199,762	(378,900)	1,698,721
First-time equipping of schools	198,196	89,767	-	287,963
Furniture	90,662	19,840	(14,189)	96,313
Equipment	2,527,824	631,103	(2,092,303)	1,066,624
Computer hardware	6,124,988	2,204,472	(2,901,605)	5,427,855
Computer software	428,942	140,522	(214,180)	355,284
Vehicles	533,542	132,882	-	666,424
Total	\$200,698,166	\$ 19,811,309	\$ (8,150,271)	\$ 212,359,204

	Net Book Value August 31, 2010	Net Book Value August 31, 2011
Land	\$ 6,411,120	\$ 6,408,680
Land improvements	2,600,611	2,666,402
Buildings	282,209,008	289,778,152
Portable structures	2,220,113	2,020,351
First-time equipping of schools	495,934	813,249
Furniture	60,175	149,640
Equipment	2,122,065	3,225,374
Computer hardware	6,105,554	4,386,322
Computer software	247,398	373,595
Vehicles	318,968	194,683
Total	\$ 302,790,946	\$ 310,016,448

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

9. Tangible Capital Assets (continued):

Assets under construction

Assets under construction having a value of \$nil (2010 – \$1,219,048) 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:

	2011	2010
Internally appropriated	\$ 47,106,925	\$ 42,931,845
Externally appropriated		
Employee future benefits	(37,760,237)	(37,317,091)
Interest to be accrued	(1,044,031)	(1,001,916)
Vacation accrued	(1,319,577)	(1,253,389)
School generated funds	4,442,761	4,420,463
Revenues recognized for land	6,411,120	6,411,120
Balance, end of year	\$ 17,836,961	\$ 14,191,032

11. Debt charges and capital loans and leases interest:

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

	2011	2010
Principal payments on long-term liabilities	\$ 1,762,974	\$ 1,981,253
Interest payments on long-term liabilities	3,425,459	3,048,364
	\$ 5,188,433	\$ 5,029,617

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

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:

	2011		2010	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 87,641	\$ 52,672	\$ 2,125	\$ 1,250
Financial liabilities	(287,311)	(172,674)	(2,125)	(1,250)
Non-financial assets	240,884	144,771	51,612	30,348
Accumulated Surplus	\$ 41,214	\$ 24,769	\$ 51,612	\$ 30,348
Operations:				
Revenues	\$ 26,616,864	\$ 15,996,735	\$ 26,513,155	\$ 15,589,735
Expenses	26,627,262	16,002,984	26,515,715	15,591,240
Annual Deficit	\$ (10,398)	\$ (6,249)	\$ (2,560)	\$ (1,505)

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

13. Expenditures by object:

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

	2011 Budget	2011 Actual	2010 Actual (Restated)
Current expenditures:			
Salary and wages	\$ 279,350,049	\$ 281,001,097	\$ 273,025,907
Employee benefits	37,528,405	38,477,965	35,946,724
Staff development	1,774,649	1,566,668	1,823,034
Supplies and services	37,307,675	37,972,870	39,855,697
Interest	3,512,761	3,467,574	3,158,869
Rental expenditures	46,684	52,027	68,906
Fees and contract services	20,368,593	20,890,545	20,567,768
Other	1,005,522	1,175,498	1,396,510
Amortization and net loss on disposal	20,687,839	19,811,310	19,056,508
	<u>\$ 401,582,177</u>	<u>\$ 404,415,554</u>	<u>\$ 394,899,923</u>

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.

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 \$4,693,930 (2010 - \$4,639,863) has been provided for this liability.

16. Commitments:

The Board is committed to pay \$12,871,110 for capital expenditures.

17. Comparative figures:

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

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

18. 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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Year ended August 31, 2011

19. Budget Data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010-2011 budgets approved by the Board on June 22, 2010. Where amounts were not budgeted, the actual amounts for 2010-2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results. The budget was prepared in June 2010, prior to the release of the Government Transfers standard, which was released in March 2011. As a result, there are some changes in how the DCC taken in to income is calculated for the Financial Statements, versus for the budget. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations.

As the Board only budgets the Statement of Operations, the budget figures in the Consolidated Statement of Change in Net Debt have not been provided.

	Original 2010-11 Budget	Change	Restated 2010-11 Budget
Revenue			
Total Revenues as in the 2010-11 Budget	\$ 379,859,752	\$ -	\$ -
Adjustment due to adoption of government transfer standard (Note 2)	-	19,732,568	-
Total Revenue	379,859,752	19,732,568	399,592,320
Total Expenses	(379,859,752)	(21,722,425)	(401,582,177)
Annual Surplus (Deficit)	-	(1,989,857)	(1,989,857)
Accumulated Surplus at beginning of year	-	-	14,191,032
Accumulated Surplus at end of year	\$ -	\$ (1,989,857)	\$ 12,201,175