

Financial Statements of

DISTRICT SCHOOL BOARD OF NIAGARA

Years ended August 31, 2012 and 2011



District School Board of Niagara

Achieving Success Together

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

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

A handwritten signature in black ink, appearing to read "W. Hoshizaki", written over a horizontal line.

Warren Hoshizaki
Director of Education, Secretary & Treasurer

A handwritten signature in black ink, appearing to read "Joe Weinberg", written over a horizontal line.

Joe Weinberg
Superintendent of Business

November 27, 2012



KPMG LLP

Chartered Accountants

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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, 2012 and August 31, 2011, the consolidated statements of operations, changes in net debt and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation 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 in our audit 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, 2012 and 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 used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian Public Sector Accounting Standards.

KPMG LLP

Chartered Accounts, Licensed Public Accountants

November 27, 2012
St. Catharines, Canada

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Financial Position

August 31, 2012 and 2011

	2012	2011
Financial Assets		
Cash and cash equivalents	\$ 46,335,041	\$ 41,108,367
Accounts receivable	18,048,423	16,552,247
Accounts receivable – Government of Ontario (note 2)	112,026,172	92,361,377
Assets held for sale (note 3)	281,840	200,586
Total financial assets	176,691,476	150,222,577
Financial Liabilities		
Accounts payable and accrued liabilities	30,484,894	26,012,603
Deferred revenue (note 4)	18,077,478	8,627,329
Net long-term liabilities (note 6)	89,555,518	73,321,331
Employee future benefits (note 7)	20,801,920	37,760,236
Deferred capital contributions (note 5)	308,337,310	296,866,227
Total financial liabilities	467,257,120	442,587,726
Net debt	(290,565,644)	(292,365,149)
Non-Financial Assets		
Prepaid expenses	571,560	178,787
Inventories, at cost	-	6,875
Tangible capital assets (note 8)	323,719,180	310,016,448
Total non-financial assets	324,290,740	310,202,110
Commitments (note 15)		
Accumulated Surplus (note 9)	\$ 33,725,096	\$ 17,836,961

See accompanying notes to financial statements.

On behalf of the Board


Chair


Director of Education

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Operations

Years ended August 31, 2012 and 2011

	Original Budget (unaudited)	2012	2011
Revenue:			
Local taxation	\$ 117,213,820	\$ 111,080,476	\$ 114,018,402
Provincial Legislative grant	251,757,673	260,473,168	251,441,327
Provincial grants - other	6,712,070	9,243,483	7,126,229
Provincial grants - OYAP	153,000	153,205	150,615
Government of Canada	-	68,142	185,344
Investment income	220,000	601,076	591,824
Other	2,384,158	3,531,925	3,371,875
School fundraising and other revenue	12,776,835	11,562,702	11,686,157
Amortization of deferred capital contributions	20,778,722	19,181,394	19,489,710
Total revenue	411,996,278	415,895,571	408,061,483
Expenditures:			
Instruction	314,996,270	304,772,123	309,139,323
Administration	10,531,033	10,321,917	9,946,738
Transportation	16,967,385	17,938,532	16,376,002
School operation and maintenance	39,324,737	34,539,687	36,589,607
Pupil accommodation	20,986,580	20,388,394	20,016,353
Other	683,672	683,672	683,672
School funded activities	12,776,835	11,363,111	11,663,859
Total expenditures (note 12)	416,266,512	400,007,436	404,415,554
Annual surplus (deficit)	(4,270,234)	15,888,135	3,645,929
Accumulated surplus, beginning of year	17,836,961	17,836,961	14,191,032
Accumulated surplus, end of year	\$ 13,566,727	\$ 33,725,096	\$ 17,836,961

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Change in Net Debt

Years ended August 31, 2012 and 2011

	2012	2011
Annual surplus	\$ 15,888,135	\$ 3,645,929
Tangible capital assets activity:		
Acquisition of tangible capital assets	(34,033,947)	(27,237,398)
Amortization of tangible capital assets	19,861,320	19,811,310
Loss on sale of tangible capital assets	161,665	-
Transfer to assets held for sale	281,840	200,586
Revenue recovery on land disposal	26,390	-
Other non-financial asset activity:		
Acquisition of inventories	-	(991,484)
Acquisition of prepaid expenses	(596,696)	(194,438)
Consumption of inventories	6,875	1,167,791
Use of prepaid expenses	203,923	32,315
Change in net debt	1,799,505	(3,565,389)
Net debt, beginning of year	(292,365,149)	(288,799,760)
Net debt, end of year	\$ (290,565,644)	\$ (292,365,149)

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Consolidated Statement of Cash Flows

Years ended August 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operating Activities:		
Annual surplus	\$ 15,888,135	\$ 3,645,929
Items not involving cash:		
Amortization of tangible capital assets	19,861,320	19,811,310
Loss on sale of capital assets and assets held for sale	231,622	-
Change in employee benefits and other liabilities	(16,958,316)	443,146
Amortization of deferred capital contributions	(19,181,394)	(19,489,710)
	(158,633)	4,410,675
Change in non-cash assets and liabilities:		
Accounts receivable - other	(1,496,176)	(251,271)
Accounts payable and accrued liabilities	4,472,291	4,589,037
Deferred revenue	6,203,499	6,174,861
Inventories and prepaid expense	(385,898)	14,184
Net change in cash from operating activities	8,635,083	14,937,486
Capital Activities:		
Proceeds on sale of tangible capital assets and assets held for sale	3,203,082	-
Cash used to acquire tangible capital assets	(34,033,947)	(27,237,398)
Transfer from assets held for sale	200,587	-
Net change in cash from capital activities	(30,630,278)	(27,237,398)
Financing Activities:		
Debt issued and assumed	18,197,526	5,288,170
Long-term debt repaid	(1,963,339)	(1,762,973)
Accounts receivable – approved capital	(19,664,795)	(12,070,442)
Deferred capital contributions	30,652,477	23,217,237
Net change in cash from financing activities	27,221,869	14,671,992
Net change in cash and cash equivalents	5,226,674	2,372,080
Cash and cash equivalents, beginning of year	41,108,367	38,736,287
Cash and cash equivalents, end of year	\$ 46,335,041	\$ 41,108,367

See accompanying notes to financial statements.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 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:

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which requires that

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

As a result, revenue recognized in the statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the School Board 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 ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the statement of financial position as at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

(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.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

1. Significant accounting policies (continued):

(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) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

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

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

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

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.

(g) Deferred capital contributions:

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

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

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include life insurance and health care benefits, retirement gratuity, and worker's compensation. On September 11th, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan.

The Board has adopted the following policies with respect to accounting for these employee benefits:

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

1. Significant accounting policies (continued):

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

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be 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. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employee Retirement System pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

1. Significant accounting policies (continued):

(i) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for capital are included in deferred capital contributions.

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. The budget figures are unaudited.

(l) 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 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. 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. Actual results could differ from these current estimates.

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 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 of Ontario of \$112,026,172 as at August 31, 2012 (2011 - \$92,361,377) with respect to capital grants.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

3. Assets held for sale:

As of August 31, 2012, \$278,840 (2011 - \$198,146) related to buildings and \$3,000 (2011 - \$2,440) related to land were recorded as assets held for sale. During the year, three school properties were sold, and additional properties with a net book value of \$281,840 were reclassified during the year. Net proceeds of \$1,938,750 (2011 - \$nil) were received on the sale of these properties, which had a carrying value of \$200,586 (2011 - \$nil), resulting in a gain of \$1,738,164 (2011 - \$nil). \$1,738,164 of that gain was deferred for future capital asset purchases according to Ontario Regulation 193/10.

4. Externally restricted deferred revenue:

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation of agreement as at August 31, 2012 is comprised of:

	Balance as at August 31, 2011	Externally restricted revenue	Revenue recognized in the period	Transfers (to) deferred capital contributions	Balance as at August 31, 2012
School Renewal	\$ 4,350,205	\$ 6,416,138	\$ 186,184	\$ (48,865)	\$ 10,531,294
Proceeds of disposition	244,200	3,353,732	-	-	3,597,932
Special Education	178,736	42,637,443	42,169,429	-	646,750
Other	1,190,112	15,327,070	11,942,213	(2,399,864)	2,175,105
School Condition Improvement	-	3,480,542	-	(2,986,722)	493,820
Energy Efficiency	2,664,076	750,000	-	(2,781,499)	632,577
Total deferred revenue	\$ 8,627,329	\$71,964,925	\$54,297,826	\$(8,216,950)	\$ 18,077,478

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

4. Deferred revenue (continued):

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

	Balance as at August 31, 2010	Externally restricted revenue	Revenue recognized in the period	Transfers (to) deferred capital contributions	Balance as at August 31, 2011
School Renewal	\$ -	\$ 6,575,889	\$ 155,817	\$ (2,069,867)	\$ 4,350,205
Proceeds of disposition	582,583	198,147	-	(536,530)	244,200
Special Education	-	39,127,468	38,948,732	-	178,736
Other	1,633,825	13,950,430	13,470,284	(923,859)	1,190,112
Energy Efficiency	236,060	8,419,265	-	(5,991,249)	2,664,076
Total deferred revenue	\$ 2,452,468	\$68,271,199	\$52,574,833	\$(9,521,505)	\$ 8,627,329

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

	2012	2011
Balance, beginning of year	\$ 8,627,329	\$ 2,452,468
Revenue:		
Grants	67,719,975	67,476,520
Assets Held for Sale	80,693	198,147
Third party	4,164,257	596,532
Transfer to deferred capital contributions	(8,216,950)	(9,521,505)
Total revenue	72,375,304	61,202,162
Expenditures	(54,297,826)	(52,574,833)
Balance, end of year	\$ 18,077,478	\$ 8,627,329

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

5. 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.

	2012	2011
Balance, beginning of year	\$ 296,866,227	\$ 293,138,700
Additions to deferred capital contributions	22,876,032	13,893,879
Transfer from deferred revenue	8,216,950	9,521,505
Transfers to financial assets	(440,505)	(198,147)
Amortization of deferred capital contributions	(19,181,394)	(19,489,710)
Balance, end of year	\$ 308,337,310	\$ 296,866,227

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

6. Net long-term liabilities:

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

	2012	2011
Debenture, bearing interest at the rate of 5.062% due March 13, 2034	\$ 17,345,586	\$ 17,773,381
Debenture, bearing interest at the rate of 4.90% due March 3, 2033	11,918,930	12,243,268
Debenture, bearing interest at the rate of 4.56% due November 15, 2031	23,966,284	24,716,168
Debenture, bearing interest at the rate of 5.054% due November 15, 2028	3,760,081	3,903,210
Debenture, bearing interest at the rate of 5.232% due April 13, 2035	9,192,805	9,397,134
Debenture, bearing interest at the rate of 4.833% due March 11, 2036	5,174,306	5,288,170
Debenture, bearing interest at the rate of 3.564% due March 9, 2037	18,197,526	-
Balance, end of year	\$ 89,555,518	\$ 73,321,331

Principal and interest payments relating to net long-term liabilities of \$89,555,518 outstanding as at August 31, 2012 are due as follows:

	Principal	Interest	Total
2013	\$ 2,526,203	\$ 4,068,747	\$ 6,594,950
2014	2,644,043	3,951,646	6,595,689
2015	2,767,458	3,829,006	6,596,464
2016	2,896,716	3,700,561	6,597,277
2017	3,032,095	3,566,034	6,598,129
Thereafter	75,689,003	33,199,491	108,888,494
	\$ 89,555,518	\$ 52,315,485	\$ 141,871,003

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

7. Employee future benefits:

Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	2012 Total employee future benefits	2011 Total employee future benefits
Accrued benefit obligation	\$ 15,914,577	\$ 4,887,343	\$ 20,801,920	\$ 46,723,503
Unamortized actuarial gain (loss)	-	-	-	(8,963,267)
Balance, end of year	\$ 15,914,577	\$ 4,887,343	\$ 20,801,920	\$ 37,760,236

Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	2012 Total employee future benefits	2011 Total employee future benefits
Current year benefit costs	\$ 965,489	\$ 2,209,202	\$ 3,174,691	\$ 3,799,858
Curtailment gain	(3,062,748)	(13,029,297)	(16,092,045)	-
Interest on accrued benefit obligation	694,735	938,499	1,633,234	1,674,602
Employee future benefits expenses	\$ (1,402,524)	\$ (9,881,596)	\$ (11,284,120)	\$ 5,474,460
Total payments made during the year			\$ 5,674,196	\$ 5,031,314

Included in expenditures is \$9,812,835 (2011 - \$652,607) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life.

Plan changes:

On September 11th, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provisions for accumulation of unused days.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

7. Employee future benefits (continued):

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

Retirement benefits:

(i) Ontario Teacher's Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching and support staff employees of the Board are eligible to be members of the Ontario Municipal Employees' Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2012, the Board contributed \$4,050,091 (2011 - \$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 consolidated financial statements.

(iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of \$2,205,456 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

7. Employee future benefits (continued):

(iv) Retirement life insurance and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions. The changes to the Board's retirement health, life and dental plans resulted in a one-time reduction to the Board's obligation of \$857,292 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

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

The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision. This resulted in a one-time increase to the Board's obligation of \$526,592 as at August 31, 2012.

(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:

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

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

7. Employee future benefits (continued):

The accrued benefit obligations for employee future benefit plans as at August 31, 2012 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2012. 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:

	2012	2011
	%	%
Inflation	2.0	2.0
Wage and salary escalation	nil	3.0
Insurance and health care cost escalation	9% decreasing by ¼% each year to 4.0%	10% decreasing by ½% each year to 4.0%
Dental cost escalation	5% decreasing by ¼% each year to 3.0%	6% decreasing by ½% each year to 3.0%
Discount on accrued benefit obligations	3.0	4.0

Included in the Board's accumulated surplus as of August 31, 2012, the amount of \$1,845,508 (2011 - \$1,805,407) has been internally restricted for these employee future benefit obligations.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

8. Tangible capital assets:

Cost	Balance at August 31, 2011	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2012
Land	\$ 6,408,680	\$ 2,458	\$ (26,389)	\$ (3,000)	\$ 6,381,749
Land improvements	3,452,817	525,933	(36,250)	-	3,942,500
Buildings	491,741,634	21,364,913	(1,159,196)	(635,113)	511,312,238
Portable structures	3,719,072	-	(465,400)	-	3,253,672
First-time equipping of schools	1,101,212	815,400	(120,017)	-	1,796,595
Furniture	245,953	72,071	(12,997)	-	305,027
Equipment	4,302,121	1,131,102	(124,091)	-	5,309,132
Computer hardware	9,814,177	1,623,485	(2,232,000)	-	9,205,662
Computer software	728,879	6,302	(251,862)	-	483,319
Vehicles	861,107	421,158	-	-	1,282,265
Assets under construction	-	8,071,125	-	-	8,071,125
Total	\$ 522,375,652	\$ 34,033,947	\$ (4,428,202)	\$ (638,113)	\$ 551,343,284

Accumulated Amortization	Balance at August 31, 2011	Amortization	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2012
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Land improvements	796,538	255,179	(26,655)	-	1,025,062
Buildings	201,963,482	16,459,129	(1,007,125)	(356,273)	217,059,213
Portable structures	1,698,721	178,484	(465,400)	-	1,411,805
First-time equipping of schools	287,963	144,890	(120,017)	-	312,836
Furniture	96,313	27,549	(12,997)	-	110,865
Equipment	1,066,624	639,120	(124,091)	-	1,581,653
Computer hardware	5,427,855	1,901,984	(2,232,000)	-	5,097,839
Computer software	355,284	121,220	(251,862)	-	224,642
Vehicles	666,424	133,765	-	-	800,189
Assets under construction	-	-	-	-	-
Total	\$ 212,359,204	\$ 19,861,320	\$ (4,240,147)	\$ (356,273)	\$ 227,624,104

	Net Book Value August 31, 2011	Net Book Value August 31, 2012
Land	\$ 6,408,680	\$ 6,381,749
Land improvements	2,656,279	2,917,438
Buildings	289,778,152	294,253,025
Portable structures	2,020,351	1,841,867
First-time equipping of schools	813,249	1,483,759
Furniture	149,640	194,162
Equipment	3,235,497	3,727,479
Computer hardware	4,386,322	4,107,823
Computer software	373,595	258,677
Vehicles	194,683	482,076
Assets under construction	-	8,071,125
Total	\$ 310,016,448	\$ 323,719,180

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

8. Tangible capital assets (continued):

Cost	Balance at August 31, 2010	Additions	Disposals, write-offs and adjustments	Transfer to assets held for sale	Balance at August 31, 2011
Land	\$ 6,411,120	\$ -	\$ (2,440)	\$ -	\$ 6,408,680
Land improvements	3,155,094	312,909	(15,186)	-	3,452,817
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	1,744,535	(2,092,303)	-	4,302,121
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	Transfer to assets held for sale	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	2,656,279
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	3,235,497
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

Years ended August 31, 2012 and 2011

8. Tangible capital assets (continued):

Assets under construction

Assets under construction having a value of \$8,071,125 (2011 – \$nil) have not been amortized. Amortization of these assets will commence when the asset is put into service.

9. Accumulated surplus:

Accumulated surplus consists of the following:

	2012	2011
Internally appropriated	\$ 45,370,172	\$ 47,106,925
Externally appropriated		
Employee future benefits	(20,801,920)	(37,760,236)
Interest to be accrued	(1,210,469)	(1,044,031)
Vacation accrued	(659,788)	(1,319,577)
School generated funds	4,642,352	4,442,760
Revenues recognized for land	6,384,749	6,411,120
Balance, end of year	\$ 33,725,096	\$ 17,836,961

10. Debt charges:

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

	2012	2011
Principal payments on long-term liabilities	\$ 1,963,338	\$ 1,762,974
Interest payments on long-term liabilities	3,666,713	3,425,459
	\$ 5,630,051	\$ 5,188,433

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

11. 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:

	2012		2011	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 79,575	\$ 48,700	\$ 87,641	\$ 52,672
Financial liabilities	(241,897)	(148,041)	(287,311)	(172,674)
Non-financial assets	193,140	118,202	240,884	144,771
Accumulated Surplus	\$ 30,818	\$ 18,861	\$ 41,214	\$ 24,769
Operations:				
Revenues	\$ 28,238,990	\$ 17,282,262	\$ 26,616,864	\$ 15,996,735
Expenses	28,249,386	(17,288,624)	26,627,262	16,002,984
Annual Deficit	\$ (10,396)	\$ (6,362)	\$ (10,398)	\$ (6,249)

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

12. Expenditures by object:

The following is a summary of the current and capital expenditures reported on the consolidated statement of financial activities by object:

	2012 Budget	2012 Actual	2011 Actual
Current expenditures:			
Salary and wages	\$ 288,535,834	\$ 290,387,997	\$ 281,001,097
Employee benefits*	39,784,447	23,787,286	38,477,965
Staff development	1,541,519	1,512,669	1,566,668
Supplies and services	39,855,336	37,522,472	37,972,870
Interest	3,523,763	3,833,151	3,467,574
Rental expenditures	49,200	52,707	52,027
Fees and contract services	20,932,669	21,953,070	20,890,545
Other	988,522	865,142	1,175,498
Amortization	21,055,222	19,861,320	19,811,310
Net loss on disposal	-	231,622	-
	\$ 416,266,512	\$ 400,007,436	\$ 404,415,554

* Employee benefits expenditures include a plan curtailment gain of \$16,092,045 (note 7).

13. Ontario School Board Insurance Exchange (OSBIE):

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

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

14. 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 \$6,175,258 (2011 - \$4,693,930) has been provided for this liability.

15. Commitments:

The Board is committed to pay \$15,744,759 for capital expenditures.

DISTRICT SCHOOL BOARD OF NIAGARA

Notes to Consolidated Financial Statements

Years ended August 31, 2012 and 2011

16. 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 not reflected in the Board's financial position.

17. Litigation and claims:

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

18. Subsequent event:

On September 11th, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27th, 2012. The requirements of this new legislation was used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in Note 7.

19. Comparative figures:

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