

**Halton Catholic District
School Board**

Financial Statements

August 31, 2003

Auditors' Report

To the Trustees of
the Halton Catholic District School Board

We have audited the balance sheet of the Halton Catholic District School Board as at August 31, 2003 and the statements of operations for the revenue fund and the capital fund and the reserve funds statement of continuity for the year then ended. These financial statements have been prepared to comply with Section 252 of the Education Act of Ontario. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Trustees of the Board and the Minister of Education of Ontario for complying with Section 252 of the Education Act of Ontario. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Burlington, Ontario
December 5, 2003


Chartered Accountants

**Halton Catholic District School Board
Balance Sheet**

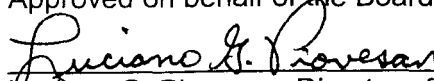
August 31, 2003, with comparative figures for 2002

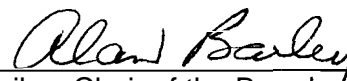
Assets	2003	2002
Current assets:		
Cash	\$ 476,518	\$ 7,071,651
Investments at cost	26,040,328	21,540,795
Amounts receivable:		
Local government	7,763,140	7,321,163
Other	1,690,394	3,579,390
Prepaid expense	995,074	869,879
Other current assets	<u>542,561</u>	<u>481,654</u>
	37,508,015	40,864,532
Capital outlay permanently financed	162,026,032	170,386,002
Capital outlay not permanently financed (financed in advance of capital outlay) (Note 5)	<u>(1,408,378)</u>	<u>4,351,078</u>
	<u>\$ 198,125,669</u>	<u>\$ 215,601,612</u>

Liabilities and Equity in Reserve Funds

Current liabilities:		
Bank and other short term borrowing	\$ 189,674	\$ 521,043
Accounts payable and accrued liabilities	2,812,094	12,756,707
Current portion of net long-term liabilities	8,659,438	8,324,845
Other current liabilities	<u>2,022,982</u>	<u>1,942,500</u>
	13,684,188	23,545,095
Net long-term liabilities (Note 6)	153,366,594	162,061,157
Reserve for working funds	541,630	41,630
Equity in reserve funds (Note 5)	26,265,532	28,160,697
Unexpended capital funds	1,476,627	1,093,872
Accumulated surplus at year end	<u>2,791,098</u>	<u>699,161</u>
	<u>\$ 198,125,669</u>	<u>\$ 215,601,612</u>

Approved on behalf of the Board:


Luciano G. Piovesan, Director of Education


Alan Bailey, Chair of the Board

See accompanying notes to the financial statements.

Halton Catholic District School Board

Revenue Fund Statement of Operations

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

	2003 Estimates (unaudited) (Note 8(a))	2003	2002
Expenditure:			
Classroom	\$ 94,663,280	\$ 98,909,811	\$ 89,256,678
Non-classroom	26,315,440	26,715,936	24,630,724
Administration	5,142,805	5,781,668	4,795,683
Pupil transportation	4,520,925	4,185,855	4,332,711
Pupil accommodation	46,014,988	35,744,208	32,904,256
Other non-operating expenditure	-	9,444,942	1,598,403
Total expenditure	<u>176,657,438</u>	<u>180,782,420</u>	<u>157,518,455</u>
Recovery of expenditure:			
School boards - other	-	33,429	32,862
Government of Ontario - other	30,000	1,078,659	997,975
Government of Canada	325,000	365,012	338,302
Individuals - tuition fees	337,000	537,899	367,711
Other revenue (excluding transfers from reserves)	<u>488,000</u>	<u>5,865,329</u>	<u>5,641,803</u>
Total recovery of expenditure	<u>1,180,000</u>	<u>7,880,328</u>	<u>7,378,653</u>
Net expenditure	\$ <u>175,477,438</u>	\$ <u>172,902,092</u>	\$ <u>150,139,802</u>
Financing of net expenditures:			
Legislative grants	\$ 100,052,604	\$ 108,194,429	\$ 91,936,282
Local taxes	63,668,779	64,562,004	62,321,681
Decrease (increase) in reserves	11,756,055	2,237,595	(2,411,019)
Previous year end accumulated surplus (deficit)	-	699,161	(1,007,981)
To be applied to the following year: Accumulated surplus at year end	<u>-</u>	<u>(2,791,098)</u>	<u>(699,161)</u>
Total financing	\$ <u>175,477,438</u>	\$ <u>172,902,091</u>	\$ <u>150,139,802</u>
Continuity of Revenue Fund Balance:			
Prior year accumulated surplus (deficit)	\$ -	\$ 699,161	\$ (1,007,981)
In year surplus	<u>-</u>	<u>2,091,937</u>	<u>1,707,142</u>
Accumulated surplus at year end	<u>\$ -</u>	<u>\$ 2,791,098</u>	<u>\$ 699,161</u>

See accompanying notes to the financial statements.

Halton Catholic District School Board

Capital Fund Statement of Operations

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

	2003	2002
Capital expenditure:		
Capital assets and work in progress:		
New pupil places	\$ 4,679,488	\$ 48,200,486
School renewal	382,706	1,093,782
EDC capital	420,645	3,907,325
Instructional computers	1,098,585	300,811
Personal special education equipment	151,670	91,353
Other	<u>1,450,497</u>	<u>591,459</u>
Total capital expenditure	\$ <u>8,183,591</u>	\$ <u>54,185,216</u>
Capital financing:		
Unexpended funds at beginning of year	\$ 1,093,872	\$ -
Balance at beginning of year not permanently financed	(4,351,078)	(36,262,216)
Long-term liabilities issued and sold	-	81,355,000
Other capital contributions (Note 13)	635,900	-
Capital expenditure financed from the revenue fund	13,689,902	5,835,226
(Unexpended funds at end of year)	(1,476,627)	(1,093,872)
Balance at end of year not permanently financed (financed in advance of capital outlay) (Note 5)	<u>(1,408,378)</u>	<u>4,351,078</u>
Total capital financing	\$ <u>8,183,591</u>	\$ <u>54,185,216</u>

See accompanying notes to the financial statements.

Halton Catholic District School Board

Reserve Funds - Statement of Continuity

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

	<u>Balance at September 1, 2002</u>	<u>Transfers to Reserve Funds</u>	<u>Earnings on Reserve Fund Investments</u>	<u>Transfers from Reserve Funds</u>	<u>Balance at August 31, 2003</u>
Purpose for which the fund was established:					
Capital Reserves:					
Pupil Accommodation Reserve	\$ 17,023,640	\$ 11,053,460	\$ 686,474	\$ (10,747,307)	\$ 18,016,267
Education Development Charge Reserve	9,624,831	4,574,996	107,675	(10,314,546)	3,992,956
Improved Access for Special Education Reserve	40,084	-	-	(5,223)	34,852
Learning Environment Improvement Capital Reserve	1,472,142	669,256	48,281	(881,501)	1,308,178
Non-Capital Reserves:					
Classroom Expenditure Reserve	-	1,665,525	-	-	1,665,525
Special Education Reserve	<u> </u>	<u>1,247,754</u>	<u> </u>	<u> </u>	<u>1,247,754</u>
	\$ <u>28,160,697</u>	\$ <u>19,210,991</u>	\$ <u>842,430</u>	\$ <u>(21,948,587)</u>	\$ <u>26,265,532</u>

See accompanying notes to the financial statements.

Halton Catholic District School Board

Notes to the Financial Statements

August 31, 2003

1. Significant accounting policies:

The financial statements have been prepared by the Board in accordance Section 252 of the Education Act, using accounting principles prescribed by the Ministry of Education and considered appropriate for Ontario school boards. These principles are consistent with those used in prior years. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as described in paragraph (a) to (e).

a) Accrual accounting:

Revenue and expenditure are accounted for on the accrual basis of accounting, with the following exceptions:

- (1) No provision has been made to record the liability for employee future benefits. (see note 2)
- (2) No provision has been made for interest on unmatured debenture debt from the date of payment to the year-end (see note 4)
- (3) Vacation pay is recorded as a salary expense when it is paid. (see note 3)
- (4) The education portion of municipal supplementary taxes and tax write-offs has not been accrued for the calendar year 2003.

b) Capital Assets:

The acquisition of capital assets is expensed unless they are or will be financed by long-term debt.

Principal and interest charges on net long-term liabilities are included as expenditures in the period due.

Capital expenditures permanently financed are included on the balance sheet only to the extent of the balance of the related net long-term liabilities outstanding.

Capital expenditures not permanently financed are recorded separately on the balance sheet until permanent financing has been arranged.

c) Enterprises under control:

Investment in or activity of controlled and/or related "for profit" enterprises is not included in the financial statements of the Board (see Note 12).

Halton Catholic District School Board

Notes to the Financial Statements

August 31, 2003

1. Significant accounting policies - continued:

d) Reserves and Reserve Funds:

Reserves and Reserve Funds represent funds appropriated for general and specific purposes and are charged or credited to Revenue Fund Operations in the year appropriated or drawn down.

The amounts in Reserves and Reserve Funds are approved by the Board and are within the limits defined in the Education Act and its regulations.

e) Accumulated deficit (surplus) at year end:

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

f) Legislative grants:

The legislative grants calculations are prepared annually by the Board and submitted to the Ministry of Education for final approval. Adjustments, if any, are recorded in the year in which they are made.

g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditure during the reporting period. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

h) Financial instruments:

The balance sheet values for short-term investments are stated at the lower of cost or market value.

Halton Catholic District School Board
Notes to the Financial Statements
August 31, 2003

2. Employee future benefits:

Employee future benefits include both sick leave gratuity plans as well as post retirement benefits, which are both governed by several collective agreements covering various employees of the Board. These agreements cover employees in teaching positions as well as non-teaching positions.

All the employees covered by the collective agreements are members of a death benefit gratuity plan, with benefits based on a formula that depends on the salary and accumulated sick days at death. In addition, the various agreements specify rates at which employees become entitled to the value of accumulated sick days at death.

Post retirement benefits are available to management and non-union staff who may elect to continue coverage of health insurance and/or dental insurance and life insurance should they wish. With the exception of senior staff, the Board is reimbursed for the premium cost, and coverage ends when a member reaches age 65.

Retirement benefits expensed in respect of employees who retired in 2003 amounted to \$99,684 (2002 - \$71,379).

The Board's unfunded liability related to future employee benefit payments as of August 31, 2003 is \$906,379.

3. Unused vacation days accrual:

The amount of unused vacation days that has not been accrued is \$241,900.

4. Debenture interest accrual:

The amount of unaccrued interest on net long-term debt from the date of payment to the year end is \$ 3,706,401 (2002 - \$ 3,828,231).

5. EDC reserve fund and capital expenditures:

During the year, the Board prospectively changed its accounting policy with respect to its EDC capital expenditures and their corresponding reserve funds such that specific reserve amounts will no longer be maintained specifically relating to the corresponding EDC capital expenditures.

The effect of this amended accounting policy in the current year has resulted in a decrease to both capital outlays not permanently financed and equity in reserve funds in the amount of \$ 9.4 million respectively. Had this accounting policy been applied retroactively the decrease in both of these financial statement balances in 2002 would have been \$ 1.6 million.

Halton Catholic District School Board
Notes to the Financial Statements
August 31, 2003

6. Net long-term liabilities:

Long-term liabilities outstanding as at August 31, 2003, net of sinking fund assets, is repayable over the next five fiscal years and thereafter as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2004	\$ 8,659,438	\$ 11,077,850	\$ 19,737,288
2005	8,522,143	10,488,139	19,010,282
2006	8,155,711	9,832,258	17,987,969
2007	5,408,408	9,299,023	14,707,431
2008	<u>5,173,915</u>	<u>9,095,075</u>	<u>14,268,990</u>
	35,919,615	49,792,345	85,711,960
Thereafter	<u>126,106,417</u>	<u>63,564,482</u>	<u>189,670,899</u>
	162,026,032	113,356,827	275,382,859
Less current portion	<u>8,659,438</u>	<u>11,077,850</u>	<u>19,737,288</u>
	<u>\$ 153,366,594</u>	<u>\$ 102,278,977</u>	<u>\$ 255,645,571</u>

7. Revenue Fund Statement of Operations:

a) 2002-2003 estimates:

The 2002-03 estimates data shown on the Revenue Fund Statement of Operations are the budget amounts approved by the Board and submitted to the Ministry of Education. These amounts have not been audited by the Board's external auditor, nor do they include the funding enhancements announced by the Ministry of Education in December 2002. These enhancements are included in the actual recovery of expenditures for the 2002-03 operations.

b) Debt charges and capital loan interest:

The Revenue Fund expenditure for debt charges and capital loan interest included in pupil accommodation expenditure includes principal and interest payments as follows:

Principal payments on long-term liabilities including contribution to sinking funds	\$ 8,324,845
Interest payments on long-term liabilities	<u>11,739,243</u>
	<u>\$ 20,064,088</u>

Included in these amounts are \$ 196,743 of principal and \$ 102,127 of interest on debentures that were part of the net assets transferred to Board 64, the French Language Board by Order in Council. The Board is required, however, to still pay these debt charges but receives equal grants from the Province of Ontario.

Halton Catholic District School Board

Notes to the Financial Statements

August 31, 2003

8. Pension plan costs:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System that is a multi-employer defined benefit contributory plan.

No employer contributions were made to the plan up to December 31, 2002 due to a contribution holiday. Contribution at a reduced rate was reinstated effective January 1, 2003 and amounted to \$263,968 (2002 - \$ Nil).

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

9. Ontario School Board Insurance Exchange:

Effective April 1, 1987, the Board joined the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability for the Board. Effective July 1, 2003, the Board began to insure property damage and certain other risks with the OSBIE.

10. Contractual obligations and contingencies:

a) Lease obligations:

The Board has obligations under operating leases that require annual lease payments in the following amounts:

2004	\$ 1,349,717
2005	845,852
2006	462,607
2007	286,985
2008	<u>139,338</u>
	\$ <u>3,084,499</u>

Halton Catholic District School Board
Notes to the Financial Statements
August 31, 2003

10. Contractual obligations and contingencies - continued:

b) Contractual obligations and subsequent event:

During the year, the Board approved a budget of \$ 8,800,000 pursuant to the construction and furnishing of a new elementary school in Milton, Ontario. In the period from September 30, 2003 to December 5, 2003, the Board entered into obligations totalling \$ 5,717,871 with respect to the building of a new elementary school in Milton, Ontario.

The construction of the new Milton school was financed by an \$ 8,800,000 debenture offering in October 2003 and in September 2003 the site was purchased for \$ 1,850,000.

c) Letters of credit:

The Board was contingently liable under letters of credit issued to municipalities with respect to construction projects in the amount of \$1,849,000.

11. Workers' Compensation:

On January 28, 1997, the Board received approval from the Workers' Safety Insurance Board for a transfer out of Schedule 1 to become a Schedule 2, self-insured employer effective January 1, 1994. As a result, the Board now directly assumes the cost of Workers' Safety Insurance Board awards for its injured workers. An accrued liability of \$731,492 has been recorded as at August 31, 2003 to allow for pending charges assessed by the Workers' Safety Insurance Board for claims prior to September 2003.

An additional provision of \$ 534,159 has been made for an actuarial estimate of contingent liabilities approximating \$ 607,000 for future awards for claims currently being assessed by the Workers' Safety Insurance Board.

Effective February 28, 1996, the Board contracted third-party co-insurance coverage under which the Board receives reimbursement from the insurer for individual workers' compensation claims assessments over \$ 250,000 and less than \$ 10,000,000.

12. Controlled and related entities:

The Board established the Foundation for Excellence in Catholic Education in 1998, a non-profit entity that receives revenues from charitable donations. The Board established the Halton Catholic Schools and Education Support Centre in 1998, a non-profit entity, to provide support, implementation and advancement of community education, training and development programs for the benefit of the general public.

Halton Catholic District School Board

Notes to the Financial Statements

August 31, 2003

13. Not permanently financed debt:

On June 2, 2003, the Board debt of \$ 635,900 was repaid by The 55 School Board Trust (the "Trust") for capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the Trust. The Trust was created to refinance the outstanding not permanently financed debt of participating Boards who are beneficiaries of the Trust. Under the terms of the agreement, The 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 not permanently financed debt.

As a result of the above agreement, the liability in respect of the not permanently financed debt is no longer reflected in the Board's balance sheet as of August 31, 2003.

14. Financial instruments:

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

15. Comparative figures:

Certain comparative figures have been changed to correspond with the current year's financial statement presentation.