

*Report and Financial Statements of*

**LONDON DISTRICT CATHOLIC  
SCHOOL BOARD**

*August 31, 2003*

## MANAGEMENT'S RESPONSIBILITY

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements and other financial information contained in this annual report are the responsibility of the management of the Board.

The Board maintains an accounting system and related controls to provide management with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with the disclosed basis of accounting.

The Board's external auditor, Deloitte & Touche LLP, Chartered Accountants, whose appointment was approved by the Trustees, has free access to the Board Trustees, without management present, to discuss the results of the audit work and their opinion on the adequacy of internal accounting controls and the quality of financial reporting. The financial statements have been audited by Deloitte & Touche LLP and they have reported thereon.

Joseph Rapai, MEd  
Director of Education  
and Secretary

Timothy J. Holmes, CA  
Superintendent of Business  
and Treasurer

Kathy Liberty, CGA  
Manager of Finance

Deloitte & Touche LLP  
One London Place  
255 Queens Avenue  
London ON N6A 5R6  
Canada  
PO Box 5633

Tel: (519) 679-1880  
Fax: (519) 640-4625  
[www.deloitte.ca](http://www.deloitte.ca)

**Deloitte  
& Touche**

## **Auditors' Report**

To the Trustees of London District Catholic School Board

We have audited the Balance Sheet of the London District Catholic School Board as at August 31, 2003 and the Revenue Fund Statement of Operations, the Capital Fund Statement of Operations and the Trust 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at August 31, 2003, the results of its operations and continuity of its trust funds for the year then ended in accordance with the basis of accounting disclosed in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Trustees of the Board and the Minister of Education 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.

*Deloitte & Touche LLP*

Chartered Accountants  
November 28, 2003

**Deloitte  
Touche  
Tohmatsu**

## TABLE OF CONTENTS

	<u>PAGE</u>
Revenue Fund Statement of Operations	1
Capital Fund Statement of Operations	2
Trust Funds Statement of Continuity	3
Balance Sheet	4
Notes to the Financial Statements	5-11

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Revenue Fund Statement of Operations

Year ended August 31, 2003

(000's of dollars)

	<u>2003</u>	<u>2002</u>
<b>REVENUES</b>		
Government of Ontario	\$ 112,156	\$ 106,321
Local taxation	43,624	45,187
Education development charges	3,328	1,630
Other revenue	839	1,358
	<u>159,947</u>	<u>154,496</u>
<b>EXPENDITURES</b>		
Elementary	48,569	47,679
Secondary	33,576	30,941
Human resources	14,275	13,192
School services	6,673	7,184
Learning services	15,309	13,687
Adult/Continuing education	1,677	1,675
Plant operations	14,055	12,442
Capital projects	4,682	1,906
Transportation	9,238	9,563
General administration	1,059	1,221
Business administration	1,266	980
Debt charges and loan interest (Note 2)	4,862	8,791
	<u>155,241</u>	<u>149,261</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>4,706</b>	<b>5,235</b>
<b>TRANSFER TO/(FROM) RESERVES (Note 5)</b>		
Reserve for Proceeds of Disposition	-	11
Reserve for Working Funds	1,009	224
Reserve for Pupil Accommodation	2,049	3,446
Reserve for Education Development Charges	896	1,566
Reserve for Improved Access for Special Education	(46)	(12)
Reserve for Classroom	240	-
Reserve for Special Education	484	-
Reserve for Property Claims	74	-
	<u>4,706</u>	<u>5,235</u>
<b>SURPLUS AT END OF YEAR</b>	<b>\$ -</b>	<b>\$ -</b>

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Capital Fund Statement of Operations

Year ended August 31, 2003

(000's of dollars)

	<u>2003</u>	<u>2002</u>
CAPITAL EXPENDITURES		
Capital assets and work-in-progress:		
Buildings, furniture and equipment	\$ 8,969	\$ 24,700
Other	1,539	1,273
	<u>10,508</u>	<u>25,973</u>
CAPITAL FINANCING		
Capital expenditure financed from Long Term Debt (Note 12)	17,727	24,560
Capital expenditure financed from revenue fund	5,382	3,337
	<u>23,109</u>	<u>27,897</u>
NET (DECREASE) INCREASE IN CAPITAL OUTLAY NOT PERMANENTLY FINANCED	(12,601)	(1,924)
BALANCE NOT PERMANENTLY FINANCED, BEGINNING OF YEAR	20,357	22,281
BALANCE NOT PERMANENTLY FINANCED, END OF YEAR	\$ 7,756	\$ 20,357

**LONDON DISTRICT CATHOLIC SCHOOL BOARD**  
**Trust Funds Statement of Continuity**

Year ended August 31, 2003  
(000's of dollars)

	Secondary	Four & One Teacher		Elementary	2003 Total	2002 Total
		Leave Plan				
BALANCE, BEGINNING OF YEAR	\$ 50	\$ 470	\$ 35	\$ 555	\$ 494	
CAPITAL RECEIVED	1	262	-	263	233	
INTEREST INCOME	2	2	2	6	7	
EXPENDITURES	(2)	(166)	-	(168)	(179)	
BALANCE, END OF YEAR, REPRESENTED BY CASH AND INVESTMENTS	\$ 51	\$ 568	\$ 37	\$ 656	\$ 555	

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Balance Sheet

August 31, 2003

(000's of dollars)

	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
CURRENT		
Cash	\$ 1,659	\$ -
Short-term investments	4,403	15,846
Accounts receivable	10,781	9,820
Prepaid expenses	284	212
	<u>17,127</u>	<u>25,878</u>
CASH RESTRICTED FOR EDUCATION DEVELOPMENT CHARGES	4,587	2,472
RESTRICTED TRUST FUNDS	656	555
CAPITAL EXPENDITURES NOT PERMANENTLY FINANCED	7,756	20,357
CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS	42,395	44,185
	<u>\$ 72,521</u>	<u>\$ 93,447</u>
<b>LIABILITIES</b>		
CURRENT		
Bank indebtedness	\$ -	\$ 359
Bank loan	-	5,225
Accounts payable and accrued liabilities	9,786	10,479
Deferred grants	321	242
	<u>10,107</u>	<u>16,305</u>
CAPITAL LOAN	-	5,365
NET LONG-TERM DEBT (Note 4)	42,395	44,185
	<u>52,502</u>	<u>65,855</u>
<b>FUND BALANCES</b>		
Unexpended Capital Funds	-	12,396
Reserves (Note 5)	19,363	14,641
Equity in trust funds	656	555
	<u>20,019</u>	<u>27,592</u>
	<u>\$ 72,521</u>	<u>\$ 93,447</u>

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Notes to the Financial Statements

Year ended August 31, 2003

---

### MISSION STATEMENT

To serve the Catholic student in a community that nurtures a living faith and provides a quality Catholic education that enables the individual to become a contributing member of the church and society.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Basis of Presentation*

These financial statements include the total of the assets, liabilities, revenue and expenditure for the Board.

The balance sheet includes the assets and liabilities of the revenue fund, capital fund, reserves and trust funds. All inter-fund receivables and payables have been eliminated.

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

#### *a) Accrual accounting*

Revenues and expenditures are accounted for on the accrual basis of accounting, with the following exceptions:

- i) No provision is made for interest on unmatured debenture debt from the date of payment to year end (See Note 3).
- ii) No provision has been made to record the liability for employee future benefits (See Note 6).
- iii) Vacation pay is recorded as a salary expense when it is paid (See Note 7).
- iv) The education portion of municipal supplementary taxes and tax write-offs has not been accrued for the calendar year 2003.

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Notes to the Financial Statements

Year ended August 31, 2003

---

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *b) Capital Assets*

Capital asset acquisition costs are charged to current expenditures unless they are to be financed by long-term debt. Principal and interest charges on net long-term liabilities are included as expenditures in the period due. Capital assets, described as Capital Outlay to be Recovered in Future Years, are included on the balance sheet only to the extent of the balance of the related net long-term liabilities outstanding and of the related temporary financing at the year end. Capital expenditures not permanently financed are recorded separately on the balance sheet until permanent financing has been arranged.

#### *c) Reserves and Reserve Funds*

Reserves and reserve funds represent funds appropriated for general and specific purposes and are charged to 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.

#### *d) Accumulated surplus (deficit) at year-end*

The difference between the net expenditures of any year and the amounts received to finance these expenditures is transferred to/(from) the Reserve for Working Funds in accordance with the Board of Trustees' resolution.

#### *e) Legislative Grant*

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

#### *f) Use of estimates*

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

#### *g) Financial instruments*

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

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Notes to the Financial Statements

Year ended August 31, 2003

---

### 2. DEBT CHARGES AND LOAN INTEREST

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

(000's of dollars)	<u>2003</u>	<u>2002</u>
Principal payments on long-term liabilities including sinking fund contributions	\$ 1,789	\$ 6,401
Interest payments on long-term liabilities	2,845	2,025
Interest on current bank indebtedness	41	135
Interest payments on temporary financing of capital projects	186	230
	<u>\$ 4,861</u>	<u>\$ 8,791</u>

---

### 3. DEBENTURE INTEREST ACCRUAL

The amount of unaccrued interest on long-term debt from the date of payment to the year end is \$880,000 (2002 - \$911,000). No provision has been made for this amount in the attached financial statements.

### 4. NET LONG-TERM DEBT

Of the net long-term debt outstanding, principal and sinking fund contributions amounting to \$42,395,000 plus interest amounting to \$34,833,000 is payable over the next five years and subsequent to maturity as follows:

(in 000's of dollars)	<u>Interest</u>	<u>Principal and Sinking Fund Contributions</u>	<u>Total</u>
2003/2004	\$ 2,801	\$ 1,771	\$ 4,572
2004/2005	2,714	1,063	3,777
2005/2006	2,658	1,130	3,788
2006/2007	2,597	1,203	3,800
2007/2008	2,531	1,281	3,812
	<u>13,301</u>	<u>6,448</u>	<u>19,749</u>
Thereafter	21,532	36,947	57,479
	<u>\$ 34,833</u>	<u>\$ 42,395</u>	<u>\$ 77,228</u>

---

There has been \$300,000 set aside in sinking fund assets.

Interest is being paid at rates ranging from 5.90% to 9.25%.

# LONDON DISTRICT CATHOLIC SCHOOL BOARD

## Notes to the Financial Statements

Year ended August 31, 2003

---

### 5. RESERVES

The Board has established specific purpose reserves as follows:

(in 000's of dollars)	<u>2003</u>	<u>2002</u>
Proceeds of Disposition	\$ 149	\$ 149
Working Funds	8,455	7,446
Pupil Accommodation	6,343	4,294
Education Development Charges	3,474	2,562
Improved Access for Special Education	144	190
Classroom Expenditures	240	-
Special Education	484	-
Property Claims	74	-
	<u>\$ 19,363</u>	<u>\$ 14,641</u>

The difference between the net expenditures of any year and the amounts received to finance these expenditures is transferred to (from) reserves as follows:

(in 000's of dollars)	<u>2003</u>	<u>2002</u>
Proceeds of Disposition	\$ -	\$ 11
Working Funds	1,009	224
Pupil Accommodation	2,049	3,446
Education Development Charges	896	1,566
Improved Access for Special Education	(46)	(12)
Classroom Expenditures	240	-
Special Education	484	-
Property Claims	74	-
	<u>4,706</u>	<u>5,235</u>
Interest Earned on Education Development Charges	16	9
	<u>\$ 4,722</u>	<u>\$ 5,244</u>

### 6. EMPLOYEE FUTURE BENEFITS

The Board has three retirement gratuity plans in existence. The Board's major retirement gratuity plan provides an amount upon retirement, equal to \$25 times the unused number of accumulated sick leave days up to a maximum of \$5,000 for teachers employed by the Board on or before September 15, 1977.

Amounts paid for the three plans during 2003 totaled \$196,000 (2002 - \$291,000).

At August 31, 2003, the Board's future benefit obligation in respect of employees who meet the vesting requirements of the plans is \$1,270,000 (2002 - \$1,658,000). No provision has been made in the financial statements for this obligation.

# **LONDON DISTRICT CATHOLIC SCHOOL BOARD**

## **Notes to the Financial Statements**

**Year ended August 31, 2003**

---

### **6. EMPLOYEE FUTURE BENEFITS (continued)**

The Board is obligated, under certain retirement and termination arrangements, to provide certain future benefits, in whole or part, for some former employees. As at August 31, 2003, the Board's future benefit obligation for such benefits, is \$718,000 as actuarially determined. No provision has been made in these financial statements to record the liability for such future benefits. The cost of such will be expensed in the year as incurred.

Based on a current (September 2003) actuary report prepared by School Boards' Co-operative Inc. the Board requires a minimum contingency reserve of \$1,581,000 to cover future costs of Workers' Compensation claims. Currently, the Board has a contingency reserve of \$2,434,000 that is recorded as a liability on the balance sheet.

### **7. UNUSED VACATION DAYS ACCRUAL**

The amount of unused vacation days that has not been accrued is approximately \$374,000 (2002 - \$365,000).

### **8. PENSION PLAN COSTS**

All non-teaching employees of the school board are eligible to be members of the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer defined benefit contributory plan. No employer contributions were made to the plan until December 31, 2002 due to a contribution holiday. Contributions recommenced effective January 1, 2003 at reduced rates amounted to \$251,000 (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 these contributions is provided directly by the Provincial Government.

### **9. TRUST FUNDS**

Included in the trust funds administered by the Board is the four and one teacher leave plan. At August 31, 2003 there were eighteen employees in this plan, under which the employees receive 80% of their annual salary each year for four years. The 20% withheld is accumulated in a trust fund and in the fifth year the employee is granted a one-year leave of absence and receives the total money held in trust including applicable interest in accordance with the various negotiated agreements. The balance of this trust fund at August 31, 2003 amounted to \$568,000 (2002 - \$470,000).

# **LONDON DISTRICT CATHOLIC SCHOOL BOARD**

## **Notes to the Financial Statements**

**Year ended August 31, 2003**

---

### **10. CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES**

The Board has resolved to make capital expenditures in the total amount of \$17,222,000 subject to the acceptability of the project tenders. This amount is made up of various projects including St. Catherine of Sienna Elementary School (\$7,434,000); St. Jude's in Ingersoll (\$3,745,000); Assumption (\$2,186,000); St. David (\$1,817,000); St. Joseph's in Tillsonburg (\$1,958,000); and the Electronic Purchasing System (\$82,000).

These costs will be financed in future years through Pupil Accommodation Grants, Restructuring Initiatives Grants, Debt Issues and Reserves.

The Board has entered into various operating leases for which the annual cost for fiscal 2004 is \$132,000 and include such items as computers, servers and printers, telephone systems, hand dryers, maintenance vehicles and building, land and parking lot leases.

In the normal course of operations, the Board becomes involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending at August 31, 2003 cannot be predicted with certainty, it is the opinion of the Board that their resolution will not have a material effect on the Board's financial statements or results of operations.

### **11. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE**

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. The ultimate premiums over a five-year period are based on the reciprocals' actual claims experience. Accordingly, every fifth year the school board may receive a refund or be asked to pay an additional premium, based on its pro rata share of claims experience.

### **12. NOT PERMANENTLY FINANCED DEBT**

On June 1, 2003, the Board received \$5,331,000 from The 55 School Board Trust for its capital related debt eligible for provincial support pursuant to a 30-year agreement it entered 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 agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position as of August 31, 2003.

# **LONDON DISTRICT CATHOLIC SCHOOL BOARD**

## **Notes to the Financial Statements**

**Year ended August 31, 2003**

---

### **13. 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. Since it is the Board's intent to make payments on the debt until maturity, it is not cost effective to determine the fair market value of the debt.

### **14. SUBSEQUENT EVENT**

Subsequent to August 31, 2003, the Board participated in the Ontario School Board Financing Corporation's debenture issue in the amount of \$11,000,000. Of this amount, \$6,197,460 is in the form of a 25 year amortization of principal and interest with an interest rate of 5.8% and \$4,802,540 is in the form whereby the Board will pay interest only for 10 years and repay the principal portion by way of a combination of sinking fund assets and a refinancing of the remainder.