

# THE HALTON BOARD OF EDUCATION

## 1995 Financial Statements & Auditors' Report

### BALANCE SHEET AS AT DECEMBER 31, 1995

	1995	1994
<b>Assets</b>		
<b>Current Assets</b>		
Short-term investment	\$ 11,000,000	\$ 3,000,000
Accounts Receivable	6,244,744	8,306,293
Prepaid expense	63,424	20,107
<b>Total Current Assets</b>	<b>17,308,168</b>	<b>11,326,400</b>
<b>Capital Outlay to be recovered in future years</b>	<b>72,872,884</b>	<b>76,353,230</b>
<b>Other Assets - Deferred Charges (Note #6)</b>	<b>887,239</b>	<b>1,734,618</b>
<b>Total Assets</b>	<b>\$ 91,068,291</b>	<b>\$ 89,414,248</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Bank and other short-term borrowing	\$ 1,740,073	\$ 1,615,507
Accounts Payable & accrued liabilities		
Municipalities	438,907	2,485,648
Over-requisition - elementary	1,217,004	1,833,080
Over-requisition - secondary	9,185,546	8,210,602
Other	3,628,907	3,438,095
Due to Trust Funds	386,658	443,794
Other current liabilities		
<b>Total Current Liabilities</b>	<b>16,597,095</b>	<b>18,026,726</b>
<b>Net Long-Term Liabilities (Note #3)</b>	<b>66,775,289</b>	<b>67,675,712</b>
Reserve for working funds	1,884,040	554,421
Equity in reserve funds	5,811,867	3,157,389
<b>Total Liabilities &amp; Funds</b>	<b>\$ 91,068,291</b>	<b>\$ 89,414,248</b>

### REVENUE FUND STATEMENT OF OPERATIONS FOR THE YEAR ENDED - DECEMBER 31, 1995

	ELEMENTARY		SECONDARY	
	1995	1994	1995	1994
<b>Expenditure</b>				
Business Administration	\$ 1,175,828	\$ 1,342,922	\$ 1,165,163	\$ 1,358,000
General Administration	414,877	496,870	414,877	495,017
Computer Services	947,280	924,844	899,832	877,397
Instruction	119,609,233	119,665,284	93,511,186	95,940,047
Plant Operation	11,085,485	11,515,443	9,822,911	10,027,659
Plant Maintenance	3,286,091	3,073,178	2,508,061	2,794,970
Transportation	5,615,491	5,673,852	2,103,812	2,138,315
Tuition Fees	241,332	219,478	5,433,852	5,887,476
Capital Expenditures (non-allocable)	4,390,422	229,248	638,928	8,623,151
Debt Charges & Capital Loan Interest (Note #4)	6,580,801	6,199,775	6,593,105	6,040,353
Other Operating Expenditure	1,445,340	1,221,039	4,979,529	4,998,297
Non-Operating Expenditure - excluding transfers to reserves	2,548,448	2,079,891	2,183,519	1,754,604
<b>Total Expenditure</b>	<b>157,340,628</b>	<b>152,641,824</b>	<b>130,254,775</b>	<b>140,935,286</b>
<b>Recovery of Expenditure</b>				
Other School Boards - Tuition Fees & Miscellaneous	68,589	201,882	10,046,236	11,088,664
Government of Ontario (Note #8)	4,892,375	684,810	1,153,967	7,716,323
Social Contract Savings Reimbursement (Note #9)	(4,212,085)	(3,015,602)	(3,486,567)	(2,467,310)
Government of Canada	53,176	53,912	1,196,108	1,762,561
Individual - Tuition Fees	61,325	57,387	545,582	488,649
Other Revenue, excluding transfers from reserves	1,213,079	1,031,044	3,077,761	3,716,897
<b>Total Recovery of Expenditure</b>	<b>2,076,459</b>	<b>(986,567)</b>	<b>12,533,087</b>	<b>22,305,784</b>
<b>Net Expenditure</b>	<b>\$155,264,169</b>	<b>\$153,628,391</b>	<b>\$117,721,688</b>	<b>\$118,629,502</b>
<b>Financing of Net Expenditure</b>				
Government of Ontario - General Legislative Grants	\$ 37,356,104	\$ 37,369,432	\$ 17,902,568	\$ 20,006,314
Local Taxation				
Previous year's over requisition	2,485,648	4,494,069	1,833,080	3,202,205
Local taxation raised in the current year	117,126,935	114,511,998	101,683,376	98,638,296
Increase in reserves	(1,265,611)	(261,460)	(2,480,332)	(1,384,233)
	118,346,972	118,744,607	101,036,124	100,456,268
To be applied to the following year's taxation				
Net over requisition	(438,907)	(2,485,648)	(1,217,004)	(1,833,080)
<b>Total Financing of Net Expenditure</b>	<b>\$155,264,169</b>	<b>\$153,628,391</b>	<b>\$117,721,688</b>	<b>\$118,629,502</b>

### CAPITAL FUND STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1995

	1995	1994
<b>CAPITAL EXPENDITURE</b>		
Fixed Assets & Work in Progress		
Buildings, Furniture & Equipment	\$ 10,349,899	\$ 15,764,359
School Sites & Improvements to Sites	-	4,918,575
<b>Total Capital Expenditure</b>	<b>\$ 10,349,899</b>	<b>\$ 20,682,934</b>
<b>CAPITAL FINANCING</b>		
Unexpended Funds at Beginning of Year (Balance at beginning of year not permanently financed)		
- Elementary	(6,003,826)	(1,152,604)
- Secondary	(2,673,691)	1,490,262
Long Term Liabilities Issued & Sold	4,442,638	-
Contributions from Government of Canada	759,027	515,549
Capital Expenditure from Revenue Fund	7,728,156	11,338,112
Transfer of Surplus Capital Funds to the Revenue Fund	-	(185,902)
Balance at end of year not permanently financed		
- Elementary	675,284	6,003,826
- Secondary	5,422,311	2,673,691
<b>Total Capital Financing</b>	<b>\$ 10,349,899</b>	<b>\$ 20,682,934</b>

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1995

#### 1. ACCOUNTING PRINCIPLES

The financial statements have been prepared by the Board using accounting principles that are prescribed by the Ministry of Education & Training and are considered appropriate for Ontario School Boards. These principles are in accordance with generally accepted accounting principles except as follows:

- (a) **Accrual Accounting -** Revenue and expenditure 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 the year-end.
  - (ii) No provision is made to record the liability for retirement and/or sick leave benefits accruing over the working lives of employees.
  - (iii) The Workers' Compensation Board's special assessment levied in 1993 is being amortized over the four years 1993 to 1996.
- (b) **Capital Assets -** Capital assets are expensed 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, including capital leases, 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.
- (c) **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.
- (d) **Under/Over Requisition of Taxes -** The difference between the net expenditures of any year and the amounts received to finance these expenditures is carried forward to the subsequent year to either increase or reduce the net revenue requirement from ratepayers.
- (e) **Deferred Charges -** Computers purchased for administrative purposes are stated at cost less amortization. Amortization is on a blended monthly basis over five to six years. The Workers' Compensation Board's special assessment for the Board to change from a Schedule 1 to Schedule 2 employer is stated at cost less amortization. Amortization is on a straight-line basis over four years.

#### 2. RETIREMENT GRATUITY PLANS

The Retirement Gratuity Plans established by the Board provide for the payment of a gratuity to employees who have a minimum of ten consecutive years service with the Board immediately prior to retirement on pension by reason of age or ill health. The amount of gratuity payment is determined by the employee's years of service, number of cumulative sick leave days and annual salary. The benefit payable to an employee is equal to the lesser of fifty percent of his/her annual salary or a maximum amount as set forth in the terms and conditions of employment.

Retirement gratuities paid in respect of employees who retired in 1995 amounted to \$2,593,721 (1994 - \$2,693,183).

The estimated unfunded liability of the plans at December 31, 1995 of \$5,963,117 (1994 - \$6,276,200), is based on the liability which would occur if all employees who were entitled to a gratuity had retired at the end of 1995.

#### 3. NET LONG-TERM LIABILITY REPAYMENT

Of the net long-term liabilities outstanding of \$66,775,289, principal plus interest payable over the next five years and subsequent payments to maturity including sinking fund earnings are as follows:

	Principal	Interest	Total
1996	\$ 5,495,885	\$ 7,079,908	\$ 12,575,793
1997	5,694,467	6,747,977	12,442,444
1998	5,698,479	6,193,849	11,892,328
1999	5,683,563	5,611,347	11,294,910
2000	5,650,047	4,705,808	10,355,855
	28,222,441	30,338,889	58,561,330
Subsequent	28,512,417	23,784,795	52,297,212
Add Sinking Fund	10,040,431	-	10,040,431
	<b>\$ 66,775,289</b>	<b>\$ 54,123,684</b>	<b>\$ 120,898,973</b>

#### 4. DEBT CHARGES AND CAPITAL LOAN INTEREST

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

	Elementary	Secondary
Principal payments on long-term liabilities including contributions to sinking funds	\$2,220,054	\$2,565,756
Interest payments on long-term liabilities	4,137,848	3,779,624
Interest payments on temporary financing of capital projects and debenture issuance cost	222,899	247,725
	<b>\$6,580,801</b>	<b>\$6,593,105</b>

#### 5. PENSION PLAN COSTS

Certain non-teaching employees of the school board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer final average pay contributory plan. Employer contributions made to the plan during the year by the Board amounted to \$1,495,560 (1994 - \$1,543,087). Those amounts have been included in expenditure reported in the Revenue Fund Statement of Operations.

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

#### 6. DEFERRED CHARGES

Deferred charges, which are reported on the balance sheet as "Other Assets", comprise the unamortized portion of computer hardware and software for administrative purposes purchased after 1989 and the unamortized portion of the Workers' Compensation Board's special assessment. The cost of computer hardware and software purchased in 1995 was nil and amortization charged to the Revenue Fund for the year was \$362,379 (1994 - \$358,894). The Workers' Compensation Board's special assessment levied in 1993, which is being amortized over the four years 1993 to 1996, amounted to \$1,939,947. Amortization of the special assessment charged to the Revenue Fund for the year was \$485,000 (1994 - \$485,000). At the year-end, deferred charges comprise \$402,292 (1994 - \$764,671) in respect of unamortized computer costs and \$484,947 (1994 - \$969,947) in respect of the unamortized portion of the W.C.B. special assessment.

#### 7. SALARY NEGOTIATIONS

As at the time the Financial Statements were prepared, the Board was in the process of negotiating an initial collective agreement with The Halton Instructional Assistants' Association. A wage accrual based on the results of these negotiations is not included in the Financial Statements.

#### 8. ONTARIO FINANCING AUTHORITY

The school board, the Government of Ontario and the Ontario Financing Authority (OFA) have entered into an agreement whereby certain capital assets are funded by loan advances from the OFA. During the year, the school board received loans totalling \$4,636,721 which have been included in the Revenue Fund Statement of Operations as Recovery of Expenditure under the caption Government of Ontario.

Effective March 31, 1995 the loans advanced from April 1, 1994 to March 31, 1995 together with accrued interest, were converted into a debenture payable to the OFA amounting to \$3,767,493. The debenture is unsecured, bears interest at 9.40% and is repayable in semi-annual installments over a twenty year period.

The agreement provides that the Government of Ontario will give annual grants equal to the principal and interest installments required by the debenture. The agreement specifies that the obligation to repay the debenture principal and interest is conditional upon the school board receiving the grants from the Government of Ontario.

Because the school board has no obligation to make the semi-annual principal and interest payments unless the grants are received from the Government of Ontario, the debenture liability is not shown in these financial statements.

#### 9. SOCIAL CONTRACT

The Social Contract Act requires that school boards reduce expenditures by a specified amount in the years 1993 through 1996. Grants will be reduced by a corresponding amount each year. For 1995 the social contract amount is \$7,698,652 (1994 - \$5,482,912) and this amount is reflected in the financial statements.

#### 10. WORKERS' COMPENSATION LIABILITY INSURANCE

The Board is partially self-insured for injured workers' compensation claims. Occurrences over \$250,000 and less than \$10 million are insured under third party insurance coverage. The Board is self-insured for all other occurrences.

The Board has established a reserve for uninsured losses which as at December 31, 1995 amounted to \$1,212,516 (1994-\$829,668) and is included in Equity in Reserve Funds on the Balance Sheet.

Claims settled during the year amounted to \$315,512 (1994-\$431,441) and have been included in Revenue Fund expenditures in the year. There are no significant unsettled claims as at December 31, 1995.

### AUDITORS' REPORT

To the Trustees of The Halton Board of Education

We have audited the Balance Sheet of The Halton Board of Education as at December 31, 1995, and the Revenue Fund Statement of Operations and the Capital Fund Statement of Operations for the year then ended. These financial statements are the responsibility of the school 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 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 December 31, 1995 and the results of its operations for the year then ended in accordance with the accounting principles described in note 1 to the financial statements.

HAMILTON, CANADA  
February 23, 1996

*Mac Gillivray Partners*

MACGILLIVRAY PARTNERS  
CHARTERED ACCOUNTANTS