

UPSALA DISTRICT SCHOOL AREA BOARD
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2009

NOTE #1 Significant Accounting Policies

The consolidated financial statements have been prepared by the Management in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

(a) 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

- Proportionate Share of Northern School Resource Alliance (See Note #9)
- School Generated Funds – Upsala Public School Student Fund.
 - Upsala Public School Nutrition Program.

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(b) Trust Funds

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board.

(c) Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

(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) Investments

Investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the Statement of Financial Position at the lower of cost or market value.

(f) Capital Assets

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities in the year of acquisition (see Note #12).

(g) 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.

(h) Retirement and Other Employee Future Benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, RRSP contributions, paid sick leave, worker's compensation and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits.

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

For self insured retirement and other employee future benefits that vest or accumulated 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. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, 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.

For future paid sick leave benefits from accumulated sick day banks, the cost is actuarially determined using the projected benefits method prorated on service modified to reflect the accrual and eligibility pattern of the benefit. The accrued benefit obligation is determined to be the present value of expected future cash flows resulting from future utilization of the sick bank balances as at the valuation date. Future cash flows also reflect future expected salaries and survivorship.

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees 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.

(i) Reserves and Reserve Funds

Certain amounts, as approved by the Board trustees, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

(j) 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.

(k) Investment Income

Investment income earned on surplus operating funds, capital funds, reserves and reserve funds are reported as revenue in the period earned.

Investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education is added to the fund balance and forms part of the respective deferred revenue balances.

(l) Budget Figures

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

(m) 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 revenues and expenditures during the year. Actual results could differ from these estimates.

NOTE #2 Adoption of Public Sector Accounting Recommendations

Commencing in 2004, the Board adopted generally accepted accounting principles applying the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Key elements of the adoption of Public Sector Accounting Recommendations include:

- Establishing a liability on the Board’s accounts for estimated employee future benefit obligations associated with retirement gratuity benefits, paid sick leave benefits, subsidized post-retirement benefits, and subsidized employee benefits for employees receiving Workplace Safety & Insurance Board or Long Term Disability benefits and vacation pay earned but untaken. The statement of financial activities includes the cost of providing these benefits in the period earned.
- Establishing a liability for the accrued interest obligation in respect of debenture debt obligations that arises since the last payment date and reflecting the expenditure in the statement of financial activities to show only interest expense on an accrual basis, excluding payments on account of repayment of principal.
- Reporting amounts received that are subject to restrictions arising from legislation, regulations or agreements with external parties as deferred revenues. Previously such amounts were reported as revenues when received and accumulated in reserve funds. Amounts reported in the statement of financial activities include only revenues realized in the period expended in a manner consistent with the purpose specified.

In adopting generally accepted accounting principles, the Board’s financial statements include financial assets, liabilities, revenues and expenditures arising from school generated funds that have been determined to be under the Board’s control.

NOTE #3 Investments

Investments consist of marketable securities and are comprised as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Northern School Resource Alliance Investments	<u>\$37,683</u>	<u>\$37,567</u>	<u>\$31,609</u>	<u>\$29,477</u>

NOTE #4 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 or agreement as at August 31, 2009 is comprised of:

	Balance At Aug 31, <u>2008</u>	Externally Restricted Revenue & Investment <u>Income</u>	Revenue Recognized in the Period <u>Period</u>	Balance at Aug 31, <u>2009</u>
Pupil Accommodation	\$ 45,403	\$ 5,421	\$ -	\$ 50,824
Education Development Charges	-	-	-	-
Proceeds of Disposition	29,173	-	-	29,173
Special Education	-	-	-	-
Teacherage Rent Reserve	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 74,576</u>	<u>\$ 5,421</u>	<u>\$ -</u>	<u>\$ 79,997</u>

NOTE #5 Retirement and Other Employee Future Benefits

Retirement and Other Employee Future Benefit Liabilities

	<u>2009</u>	<u>2008</u>		
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued Employee Future Benefit Obligations at August 31, 2009	\$ -	\$ 31,280	\$ 31,280	\$ 31,009
Unamortized Actuarial Gains (Losses) at August 31, 2009	<u>-</u>	<u>(3,006)</u>	<u>(3,006)</u>	<u>(3,283)</u>
Employee Future Benefits Liability at August 31, 2009	<u>\$ -</u>	<u>\$ 28,274</u>	<u>\$ 28,274</u>	<u>\$ 27,726</u>

Retirement and Other Employee Future Benefit Expenses

	<u>2009</u>		<u>2008</u>	
	Retirement Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current Year Benefit Cost	\$ -	\$ 341	\$ 341	\$ 763
Interest on Accrued Benefit Obligation	-	1,370	1,370	1,319
Recognized Actuarial (gains) losses	-	277	277	277
Employee Contributions	-	-	-	-
Cost of (gain on) plan amendments	-	-	-	-
Recognition of unamortized actuarial losses (gains) on plan amendments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Employee Future Benefits Expenses	<u>\$ -</u>	<u>\$ 1,988</u>	<u>\$ 1,988</u>	<u>\$ 2,359</u>

Retirement Benefits

(i) Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of the 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 a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

(ii) Ontario Municipal Employees Retirement System

All non-teaching 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. In 2008/2009 eligible employees contributed at 6.3% of earnings up to the CPP earnings limit and 9.5% of earnings above the CPP earnings limit. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2009, the Board contributed \$7,467 (2008 - \$6,864) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's financial statements.

(iii) Retirement Gratuities

The Board does not provide retirement gratuities to its employees. However, all teaching staff hired after September 1, 1999 are eligible for a one time RRSP contribution by the Board in the amount of \$1,750 upon completion of their probationary period.

(iv) Retirement Life Insurance and Health Care Benefits

The Board does not provide access to Board sponsored group benefit plans to retired employees.

Other Employee Future Benefits

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 1 employer under the Workplace Safety and Insurance Act and, as such, the Board insures all claims by its injured workers under the Act. The Board's insurance premiums for the year ended August 31, 2009 were \$3,604 (2008 - \$3,538) and are included in the Board's current year benefit costs. No liabilities for claims by its injured workers under the Act are included in the Board's financial statements.

(ii) Long Term Disability Life Insurance and Health Care Benefits

The Board does not continue to pay its share of benefit premiums while an employee is on a leave of absence or receiving Long Term Disability or Workplace Safety and Insurance Board benefits.

(iii) Paid Sick Leave Benefits

The Board allows employees to accumulate unused sick days for future use as paid sick leave. The benefit costs and related liabilities have been actuarially determined and are included in the Board's financial statements.

The accrued benefit obligations for employee future benefit plans as at August 31, 2009 are based on an actuarial valuations for accounting purposes as at August 31, 2006 with extrapolations to August 31, 2009, taking into consideration actual or estimated benefit payments, current year benefit expense and accrued interest for the period. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2009</u>	<u>2008</u>
	%	%
Inflation	1.5	1.5
Wage and salary escalation (over and above inflation)	.5	1.0
Discount on accrued benefit obligations	4.5	4.5

NOTE #6 Amounts to be Recovered in Future Years

The amounts to be recovered in future years reported on the Consolidated Statement of Financial Position are comprised of:

	<u>2009</u>	<u>2008</u>
Capital outlay to be recovered in Future Years		
Net long term debt	\$ -	\$ -
Amounts to be financed in future years		
Retirement and other employee future benefits liability (note #5)	28,274	27,726
Vacation accrual	-	-
Interest accrual	-	-
CPP and EI	-	-
	<u>\$ 28,274</u>	<u>\$ 27,726</u>

NOTE #7 Expenditures by Object

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

	2009 <u>Budget</u>	2009 <u>Actual</u>	2008 <u>Actual</u>
Current Expenditures			
Salary and wages	\$ 513,758	\$ 616,626	\$ 601,916
Employee Benefits	72,738	96,814	95,628
Staff Development	12,364	16,623	15,072
Supplies and Services	66,950	121,847	107,608
Interest	-	-	-
Rental Expenditures	-	5,742	5,757
Fees & Contract Services	283,162	232,749	203,594
Other	15,605	21,310	19,524
School Funded Activities	25,502	12,607	42,698
Capital Expenditures	-	33,285	13,022
	<u>\$ 990,079</u>	<u>\$1,157,603</u>	<u>\$ 1,104,819</u>

NOTE #8 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.

NOTE #9 Consolidation of the Northern School Resource Alliance

The Northern School Resource Alliance (NSRA) is an organization providing services to private and public school boards and education authorities. The Board's proportionate share of the assets, liabilities, net financial position and results of operations of the NSRA have been consolidated with those of the Board and have been included in these financial statements in the Operating Fund. The summary financial position and results of operations of the NSRA are as follows:

	<u>2009</u>	<u>2008</u>
Total Assets	<u>\$1,376,009</u>	<u>\$ 728,319</u>
Total Liabilities	512,691	488,082
Net Financial Position	<u>863,318</u>	<u>240,237</u>
	<u>\$1,376,009</u>	<u>\$ 728,319</u>
Total Revenue	\$1,962,484	\$1,599,567
Total Expenditure	<u>(1,339,403)</u>	<u>(1,549,587)</u>
Excess of Revenue (Expenditure)	<u>\$ 623,081</u>	<u>\$ 49,980</u>

The Board's share of the assets, liabilities, net financial position, revenues and expenditures is reported based on the Board's proportionate share of the total years of active membership it has in the NSRA over the total years of active membership of all member Boards (11.11% in 2009 and 11.18 in 2008). However, the Student Success, Managing Information for Student Achievement, Building Capacity, Differential Instruction and School Effectiveness programs were not reported as these are 100% Nakina District School Area Board programs operated through the NSRA.

NOTE #10 Best Start Child Care Program

The Board has entered into an agreement with the Thunder Bay District Social Services Administration Board (TBDSSAB) to establish, accommodate and maintain a Daycare Nursery under The Best Start Child Care Infrastructure Project pursuant to the Day Nurseries Act. During the year, \$30,199 of operating subsidies and \$1,014 of Per Diem Bridge funding was received by the Board from TBDSSAB with the expenditures related to this funding reported as Other-Non Operating Expenditures.

NOTE #11 Ontario Early Years Centre Program

The Board has entered into an agreement with Communities Together for Children Thunder Bay District Inc./Ontario Early Years Centre (OEYC) to provide families/caregivers with children from pre-natal to 6 years of age with early years centre services. The term of the agreement was April 1, 2008 to March 31, 2009. A new agreement with a term of April 1, 2009 to March 31, 2010 was then entered into. The OEYC provides funding to the Board in the amount of \$1,958/month to run the program.

NOTE #12 Tangible Capital Assets

Effective September 1, 2007, the Board adopted Accounting Guideline 7 (PSG-7) of the Public Sector Accounting Handbook of the Canadian Institute of Chartered Accountants (CICA) with respect to the disclosure of tangible capital assets of public sector organizations. PSG-7 provides transitional guidance on presenting information related to tangible capital assets until Section 3150 – Tangible Capital Assets of the Public Sector Accounting Handbook comes into effect for fiscal years beginning on or after January 1, 2009.

Land and Building costs are recorded at an estimate of cost. This estimate was calculated by the Ministry of Education using a tool called The Book Value Calculator. Other asset classes are recorded at historical cost where information is available. If this information is not available, an alternative method was used to estimate a reasonable cost.

Amortization is provided on a straight-line basis over the estimated useful life of the assets.

Amortization rates are generally as follows:

Land Improvements (limited life)	15 years
Buildings	40 years
Portable Structures	20 years
Other Buildings	20 years
First Time Equipping	10 years
Furniture	10 years
Equipment	5 – 15 years
Computer Hardware	5 years
Computer Software	5 years
Vehicles	5 – 10 years

As of August 31, 2009, the Board's tangible capital assets are as follows:

	COST (in 000's)				ACCUMULATED AMORTIZATION (in 000's)				Net Book Value
	Opening	+	-	Closing	Opening	+	-	Closing	
Land	\$ 23	\$ -	-	\$ 23	n/a	n/a	-	n/a	\$ 23
Land Improvements	60	-	-	60	32	4	-	36	24
Buildings (40 yrs)	1,156	26	-	1,182	519	30	-	549	633
Other Buildings (20 yrs)	45	-	-	45	23	2	-	25	20
TOTAL	\$ 1,284	\$ 26	\$ --	\$ 1,310	\$ 574	\$ 36	\$ --	\$ 610	\$ 700

NOTE #13 Subsequent Event

On September 1, 2009 the Upsala District School Area Board merged with the Keewatin-Patricia District School Board.