

Financial Statements of

**WATERLOO CATHOLIC DISTRICT
SCHOOL BOARD**

Year ended August 31, 2002



KPMG LLP
Chartered Accountants

20 Erb Street West
Marsland Centre 3rd Floor
Waterloo ON N2L 1T2

Telephone (519) 747-8800

Telefax (519) 747-8830

www.kpmg.ca

AUDITORS' REPORT

To the Trustees of the Waterloo Catholic District School Board

We have audited the balance sheet of the Waterloo Catholic District School Board as at August 31, 2002, and the revenue fund - statement of operations, the capital fund - statement of operations and the reserve funds - statement of continuity for the year then ended. 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, 2002 and the results of its operations for the year then ended in accordance with the accounting principles described in note 2 to the financial statements.

KPMG LLP

Chartered Accountants

Waterloo, Canada
November 15, 2002

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Balance Sheet

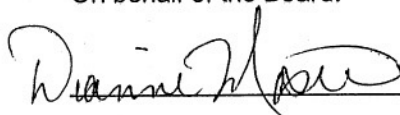
August 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	\$ 866,501	\$ -
Accounts receivable:		
Government of Ontario	353,443	121,268
Municipalities	5,500,063	4,486,155
Other school boards	647,535	607,033
Sundry	1,363,002	1,591,999
Mortgages receivable, current portion (note 3)	1,038,973	1,115,640
Prepaid expenses	183,403	113,773
	<u>9,952,920</u>	<u>8,035,868</u>
Non-current assets:		
Mortgages receivable (note 3)	-	210,000
Capital outlay to be recovered in future years	86,019,947	43,054,374
Capital outlay not permanently financed (note 4)	15,425,343	38,459,334
	<u>101,445,290</u>	<u>81,723,708</u>
	<u>\$ 111,398,210</u>	<u>\$ 89,759,576</u>

	2002	2001
Liabilities		
Current liabilities:		
Bank indebtedness	\$ -	\$ 22,095,409
Accounts payable and accrued liabilities	9,017,818	10,619,543
Accrued salaries	275,650	372,242
Deferred tuition revenue	127,744	89,375
Deferred program revenue	373,223	558,691
Current portion of long-term debt	2,897,623	7,285,174
	<u>12,692,058</u>	<u>41,020,434</u>
Long-term bank debt (note 5)	191,408	265,292
Unmatured debenture debt (note 6)	9,745,904	11,239,545
Long-term debenture debt (note 7)	57,108,338	7,580,334
Capital lease obligation (note 8)	16,076,674	16,684,029
Reserve for working funds:		
Education development charges reserve (note 9)	346,719	-
Improved access for special education reserve (note 10)	230,992	230,992
Deficit for administrative capital (note 11)	(21,887)	(11,909)
Pupil accommodation allocation reserve (note 12)	8,934,429	6,819,809
Proceeds of dispositions reserve (note 13)	6,113,484	6,018,434
	<u>15,603,737</u>	<u>13,057,326</u>
Deficit	(19,909)	(87,384)
Commitments (note 18)		
	<u>\$ 111,398,210</u>	<u>\$ 89,759,576</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Chair of the Board

 Chief Executive Officer

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Revenue Fund - Statement of Operations

Year ended August 31, 2002, with comparative figures for 2001

	2002	2001
Expenditures:		
Classroom	\$ 92,040,686	\$ 89,141,270
Non-classroom	25,583,344	25,192,439
Administration	4,930,911	6,175,365
Pupil transportation	5,810,642	5,678,726
Pupil accommodation	25,559,269	22,679,913
Other non-operating expenditures	9,418	2,978,530
	<u>153,934,270</u>	<u>151,846,243</u>
Recovery of expenditures:		
School boards - other	115,499	62,759
Government of Ontario	1,965,136	4,659,040
Government of Canada	558,327	1,465,920
Individual tuition fees	401,864	417,881
Other revenue	1,037,478	1,771,930
	<u>4,078,304</u>	<u>8,377,530</u>
Net expenditures	149,855,966	143,468,713
Revenue:		
Legislative grants	101,319,986	97,801,518
Municipal taxes	51,149,866	48,024,989
Transfer from reserve for classroom expenditures	-	890,434
Transfer from reserve for non-classroom expenditures	-	1,015,266
Transfer to education development charges reserve	(346,719)	-
Transfer to pupil accommodation allocation reserve	(2,114,620)	(3,240,826)
Transfer to proceeds of dispositions reserve	(95,050)	(890,969)
Transfer to improved access for special education reserve	-	(230,992)
Transfer from reserve for administrative capital	9,978	11,909
	<u>149,923,441</u>	<u>143,381,329</u>
Surplus (deficit)	67,475	(87,384)
Deficit, beginning of year	(87,384)	-
Deficit, end of year	<u>\$ (19,909)</u>	<u>\$ (87,384)</u>

See accompanying notes to financial statements.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Capital Fund - Statement of Operations

Year ended August 31, 2002, with comparative figures for 2001

	2002	2001
Capital not permanently financed, beginning of year	\$ 38,459,334	\$ 18,339,240
Capital expenditures:		
Capital assets and work in progress:		
New pupil places	27,616,009	20,194,579
School renewal	4,721	76,545
Instructional computers	23,255	53,796
Personalized special education equipment	180,111	48,084
Other capital expenditures	242,197	1,021,237
Total capital expenditures	28,066,293	21,394,241
Capital expenditures financed from the revenue fund	(450,284)	(1,274,147)
Long-term debt issued	(50,650,000)	-
Capital not permanently financed, end of year	\$ 15,425,343	\$ 38,459,334

See accompanying notes to financial statements.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Reserve Funds - Statement of Continuity

Year ended August 31, 2002, with comparative figures for 2001

	2002	2001
Education development charges reserve:		
Balance of fund, beginning of year	\$ -	\$ -
Transfer from revenue fund	346,719	-
Balance of fund, end of year	\$ 346,719	\$ -
Improved access for special education reserve:		
Balance of fund, beginning of year	\$ 230,992	\$ -
Transfer from revenue fund	-	230,992
Balance of fund, end of year	\$ 230,992	\$ 230,992
Reserve for administrative capital:		
Balance of fund, beginning of year	\$ (11,909)	\$ -
Transfer to revenue fund	(9,978)	(11,909)
Balance of fund, end of year	\$ (21,887)	\$ (11,909)
Pupil accommodation allocation reserve:		
Balance of fund, beginning of year	\$ 6,819,809	\$ 3,578,983
Transfer from revenue fund	2,114,620	3,240,826
Balance of fund, end of year	\$ 8,934,429	\$ 6,819,809
Proceeds of dispositions reserve:		
Balance of fund, beginning of year	\$ 6,018,434	\$ 5,127,465
Transfer from revenue fund	95,050	890,969
Balance of fund, end of year	\$ 6,113,484	\$ 6,018,434

See accompanying notes to financial statements.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements

Year ended August 31, 2002

1. Purpose of the organization:

With the gift of the Catholic faith, the mission of the Waterloo Catholic District School Board ("Board") is: Learning, growing, and transforming the world together as faithful disciples of the Risen Lord.

2. Accounting principles:

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

(a) Accrual accounting:

Revenues and expenditures are accounted for on the accrual method except for:

- i) no provision has been made to record the liability for employee future benefits;
- ii) no provision is made for interest on unmatured debenture debt from the date of payment to the end of the fiscal year;
- iii) the education portion of municipal supplementary taxes and tax write-offs has not been accrued for 2002; and
- iv) vacation pay is recorded as a salary expense when it is paid.

(b) Capital assets:

Capital assets including capital leases, are charged to current expenditures unless 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 long-term liabilities outstanding. Capital expenditures not permanently financed are recorded separately on the balance sheet until permanent financing has been arranged.

(c) Deferred revenue:

Recognition of certain program revenue and other revenue has been deferred in order to be recognized in the year the expenses will be incurred.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 2

Year ended August 31, 2002

2. Accounting principles (continued):

(d) Legislative grants:

Legislative grants are calculated by the Board and submitted to the Ministry of Education for their final approval. Reassessments may occur. The effect of these adjustments, which cannot be quantified at the time of preparing these financial statements, will be recorded in the year of reassessment.

(e) 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

(f) Reserve funds:

Reserve funds represent funds appropriated as directed by the Board for general and specific purposes and are charged or credited to revenue fund operations in the year appropriated or drawn down. The balance in the reserve funds is approved by the Board and is within the limitations defined in the Education Act and its regulations.

(g) 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.

3. Mortgages receivable:

The details of the mortgages receivable are as follows:

	2002	2001
The mortgage bears no interest and is due July 2003	\$ 23,333	\$ 210,000
The mortgage bears no interest and is due January 2003	1,015,640	1,115,640
	1,038,973	1,325,640
Less current portion	(1,038,973)	(1,115,640)
	\$ -	\$ 210,000

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 3

Year ended August 31, 2002

4. Capital outlay not permanently financed:

The balance in capital outlay (funds received in advance) for projects not permanently financed is as follows:

	2002	2001
Mother Teresa Catholic Elementary School - Clemens Mills	\$ 851,838	\$ 851,838
St. Elizabeth Catholic Elementary School	(27,645)	(27,645)
St. Brigid Catholic Elementary School - Ayr	2,496,778	2,496,778
Maple Grove Road site	527,139	527,139
St. Agatha Catholic Elementary School renovations	698,545	1,297,813
Holy Family Catholic Elementary School	12,798	3,008,819
St. Luke Catholic Elementary School	2,484,877	7,853,171
St. Nicholas Catholic Elementary School	2,579,458	7,182,237
John Sweeney Catholic Elementary School	1,053,837	854,929
Holy Spirit Catholic Elementary School	1,137,064	5,811,956
St. Mary's Catholic Secondary School	2,258,889	4,683,805
St. Agnes Catholic Elementary School addition	(130,557)	1,591,294
Our Lady of Lourdes Catholic Elementary School addition	29,567	1,641,319
Resurrection Catholic Secondary School addition	340	340
The Catholic Education Centre renovations	66,228	66,228
Continuing Education (Cambridge) addition	716,653	619,313
Morrison Road site	646,464	-
St. Benedict Catholic Secondary School addition	21,004	-
St. Daniel Catholic Elementary School renovations/addition	2,066	-
	\$ 15,425,343	\$ 38,459,334

5. Long-term bank debt:

Long-term bank debt is unsecured, bears interest at a rate of 6.25%, and matures December 2005.

Principal and interest payments to maturity are as follows:

	Principal	Interest	Total
2003	\$ 73,884	\$ 14,488	\$ 88,372
2004	78,636	9,736	88,372
2005	83,694	4,678	88,372
2006	29,078	380	29,458
	265,292	29,282	294,574
Less current portion	73,884	14,488	88,372
	\$ 191,408	\$ 14,794	\$ 206,202

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 4

Year ended August 31, 2002

6. Unmatured debenture debt:

(a) Debentures under the old grant funding model:

Debentures held by the Royal Trust and the Regional Municipality of Waterloo mature from 2003 to 2015, and bear interest rates ranging from 5.625% to 9.875%.

Principal payments to maturity, are as follows:

	Principal	Interest	Total
2003	\$ 1,493,640	\$ 944,330	\$ 2,437,970
2004	1,282,667	839,976	2,122,643
2005	717,489	764,657	1,482,146
2006	775,757	707,529	1,483,286
2007	838,656	644,944	1,483,600
Thereafter	6,131,335	2,846,870	8,978,205
	11,239,544	6,748,306	17,987,850
Less current portion	1,493,640	944,330	2,437,970
	\$ 9,745,904	\$ 5,803,976	\$ 15,549,880

(b) Debentures of le Conseil scolaire de district catholique Centre-Sud:

The debentures that relate to le Conseil scolaire de district catholique Centre-Sud which are included above require the following principal and interest payments:

	Principal	Interest	Total
2003	\$ 28,264	\$ 38,236	\$ 66,500
2004	22,678	36,053	58,731
2005	18,250	34,192	52,442
2006	20,150	32,390	52,540
2007	22,200	30,400	52,600
Thereafter	285,800	141,716	427,516
	397,342	312,987	710,329
Less current portion	28,264	38,236	66,500
	\$ 369,078	\$ 274,751	\$ 643,829

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 5

Year ended August 31, 2002

7. Long-term debenture debt:

(a) Debentures under the new student funding model:

Debenture held by CIBC World Markets matures in June 2025, and bears an interest rate of 7.2% per annum.

Principal and interest payments to maturity are as follows:

	Principal	Interest	Total
2003	\$ 66,488	\$ 265,824	\$ 332,312
2004	71,362	260,950	332,312
2005	76,592	255,720	332,312
2006	82,206	250,106	332,312
2007	88,232	244,080	332,312
Thereafter	3,323,454	2,658,182	5,981,636
	3,708,334	3,934,862	7,643,196
Less current portion	66,488	265,824	332,312
	\$ 3,641,846	\$ 3,669,038	\$ 7,310,884

Debenture held by CIBC World Markets matures in October 2026, and bears an interest rate of 6.55% per annum.

Principal and interest payments to maturity are as follows:

	Principal	Interest	Total
2003	\$ 656,256	\$ 2,475,472	\$ 3,131,728
2004	699,944	2,431,784	3,131,728
2005	746,541	2,385,187	3,131,728
2006	796,241	2,335,487	3,131,728
2007	849,248	2,282,480	3,131,728
Thereafter	34,206,668	26,862,038	61,068,706
	37,954,898	38,772,448	76,727,346
Less current portion	656,256	2,475,472	3,131,728
	\$ 37,298,642	\$ 36,296,976	\$ 73,595,618

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 6

Year ended August 31, 2002

7. Long-term debenture debt (continued):

(b) Debentures under the new student funding model with sinking funds:

Debenture held by CIBC Mellon matures in September 2010, and bears an interest rate of 6.30% per annum.

Principal and sinking fund principal payments to maturity, net of sinking fund assets and interest payments to maturity, are as follows:

	Principal payments	Sinking fund payments	Interest	Total
2003	\$ -	\$ 52,965	\$ 243,936	\$ 296,901
2004	-	52,965	243,936	296,901
2005	-	52,965	243,936	296,901
2006	-	52,965	243,936	296,901
2007	-	52,965	243,936	296,901
Thereafter	3,872,000	211,860	853,776	4,937,636
	3,872,000	476,685	2,073,456	6,422,141
Less sinking fund assets	86,650	-	-	86,650
Less current portion	-	52,965	243,936	296,901
	\$ 3,785,350	\$ 423,720	\$ 1,829,520	\$ 6,038,590

The market value of the sinking fund assets is \$86,650 (2001 - \$nil) as at August 31, 2002.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 7

Year ended August 31, 2002

7. Long-term debenture debt (continued):

(b) Debentures under the new student funding model with sinking funds (continued):

Debenture held by CIBC World Markets matures in October 2011, and bears an interest rate of 5.90% per annum.

Principal and sinking fund principal payments to maturity, net of sinking fund assets and interest payments to maturity are as follows:

	Principal payments	Sinking fund payments	Interest	Total
2003	\$ -	\$ 169,377	\$ 730,568	\$ 899,945
2004	-	169,377	730,568	899,945
2005	-	169,377	730,568	899,945
2006	-	169,377	730,568	899,945
2007	-	169,377	730,568	899,945
Thereafter	12,382,500	846,885	3,287,554	16,516,939
	12,382,500	1,693,770	6,940,394	21,016,664
Less sinking fund assets	-	-	-	-
Less current portion		169,377	730,568	899,945
	\$ 12,382,500	\$ 1,524,393	\$ 6,209,826	\$ 20,116,719

The market value of the sinking fund assets is \$nil as at August 31, 2002.

8. Capital lease obligation:

The Board leases a school under a 20 year lease, bearing interest of 7.86% with an option to purchase the property for \$1 at the end of the lease term. Future minimum lease payments are as follows:

	Principal	Interest	Total
2003	\$ 607,355	\$ 1,289,794	\$ 1,897,149
2004	656,851	1,240,298	1,897,149
2005	710,381	1,186,768	1,897,149
2006	768,273	1,128,876	1,897,149
2007	830,882	1,066,267	1,897,149
Thereafter	13,110,287	5,861,208	18,971,495
	16,684,029	11,773,211	28,457,240
Less current portion	607,355	1,289,794	1,897,149
	\$ 16,076,674	\$ 10,483,417	\$ 26,560,091

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 8

Year ended August 31, 2002

9. Education development charges reserve:

The reserve for educational development charges has been established from the collection of such charges on new residential development and are to be used to acquire new school sites needed to accommodate students resulting from new residential development in the Board's jurisdiction.

10. Improved access for special education reserve:

This is reserve established during fiscal 2001. This reserve may be used in future years to fund upgrades in existing school facilities to improve access for special education students.

11. Reserve for administrative capital:

This deficit was established during fiscal 2001, the purpose of which is to fund capital improvements and upgrades to administrative sites.

12. Pupil accommodation allocation reserve:

The purpose of the pupil accommodation reserve is to fund future expenditures on capital assets.

13. Proceeds of dispositions reserve:

The proceeds of dispositions reserve was established in 1999 from the proceeds of sales of school sites. These funds may be used in future years for expenditures on capital assets in accordance with the Education Act and the related regulations.

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 9

Year ended August 31, 2002

14. Debt charges, capital loans, capital and operating leases:

The revenue fund expenditures for debt charges, capital loans, capital and operating leases includes principal and interest payments as follows:

	2002	2001
Principal payments of long-term liabilities including contributions to sinking funds	\$ 3,653,619	\$ 3,431,910
Principal payments on operating leases	807,432	756,469
Principal payments on capital leases	561,589	519,271
Interest on long-term liabilities	3,590,819	2,138,787
Interest payments on operating leases	93,990	138,281
Interest on capital leases	1,335,560	1,377,878
Total debt charges, capital loans, capital and operating leases	\$ 10,043,009	\$ 8,362,596

15. Ontario School Board Insurance Exchange (OSBIE):

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.

16. Pension plan costs:

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

No employer contributions were made to the plan during the year and in the prior year due to a contribution holiday which continues until December 31, 2002.

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

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 10

Year ended August 31, 2002

17. Employee future benefits:

(a) Retirement gratuity plan:

The retirement gratuity plan entitles employees to a cash payment upon retiring into a pension with 15 years of service. The gratuity is the lesser of (i) \$4,000 and (ii) \$40/day up to a maximum of 50% of unused sick leave days.

The Board has a liability related to the retirement gratuity plan that has not been disclosed in the financial statements as it has not been actuarially determined.

(b) Workers' compensation:

Workers' compensation is an Ontario statutory program under which the Workplace Safety and Insurance Board (WSIB) adjudicates and pays income replacement and health care benefits to injured workers in accordance with the Workplace Safety and Insurance Act (WSIA). The Board is permitted under the WSIA to self-insure its workers' compensation obligations. The WSIB invoices the Board directly for workers' compensation costs. The actuarial valuation of the obligation for WSIB is \$870,976 for 2002 (2001 - \$676,700).

The Board accounts for the annual costs associated for WSIB on a cash basis. A reserve has not been established to provide for the liabilities associated with the benefit in the financial statements.

The assumptions used in calculating the estimated WSIB liability are as follows:

	2002	2001
Interest	3% or 6%	3% or 6%
Administration costs	30%	30%

(c) The amounts paid for the above benefits are as follows:

	2002	2001
Retirement gratuities	\$ 204,021	\$ 170,100
WSIB expense	333,201	233,000

WATERLOO CATHOLIC DISTRICT SCHOOL BOARD

Notes to Financial Statements, page 11

Year ended August 31, 2002

18. Commitments:

(a) Construction costs:

At August 31, 2002, the Board is committed to the following construction costs:

St. Benedict Catholic Secondary School	\$ 4,339,704
St. Benedict Catholic Secondary School cafeteria	22,648
St. Mary's Catholic Secondary School	\$ 1,471,030

(b) Operating leases:

At August 31, 2002, the Board is committed to the following operating leases for computer equipment, bearing interest rates ranging from 5.12% to 7.81%:

2003	\$ 958,128
2004	147,200
2005	71,649

19. Financial instruments:

The carrying value of cash, accounts receivable, mortgages receivable, accounts payable and accrued liabilities, and other current liabilities approximate their fair value because of the relatively short period to maturity of the instruments.

The carrying value of long-term debt approximates the fair value as the average interest rate is consistent with current rates for similar instruments.

20. Comparative figures:

The comparative figures for 2001 have been reclassified in certain instances to conform with the financial statement presentation adopted for 2002.