

**The Rainy River
District School Board
Financial Statements
For the year ended August 31, 2012**

**The Rainy River District School Board
Financial Statements
For the year ended August 31, 2012**

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Rainy River

DISTRICT SCHOOL BOARD

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

EDUCATION CENTRE

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The accompanying financial statements of the **Rainy River District School Board** are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, as described in Note 1 to the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's financial statements.

WEB SITE:

www.rrdsb.com

DIRECTOR

Heather Campbell


Director of Education
Heather Campbell


Superintendent of Business
Laura Mills, C.A.

December 4, 2012

Independent Auditor's Report

To the Board of Trustees of the Rainy River District School Board

We have audited the accompanying financial statements of the Rainy River District School Board, which comprise the statement of financial position as at August 31, 2012, and August 31, 2011, and the statements of operations, change in net financial assets (debt) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the basis of accounting described in the summary of significant accounting policies attached to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements of the Rainy River District School Board as at and for the years ended August 31, 2012, and August 31, 2011, are prepared, in all material respects, in accordance with the basis of accounting described in the summary of significant accounting policies attached to the financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to the summary of significant accounting policies attached to the financial statements which describe the basis of accounting used in the preparation of these financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

BDO CANADA LLP

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario
December 4, 2012

The Rainy River District School Board Statement of Financial Position

August 31	2012	2011
Financial assets		
Cash and cash equivalents	\$ 16,354,066	\$ 14,404,937
Temporary investments (Note 1)	1,696,062	1,689,380
Accounts receivable	1,953,569	4,301,359
Accounts receivable - Government of Ontario - approved capital (Note 2)	<u>26,719,852</u>	<u>26,202,156</u>
	<u>46,723,549</u>	<u>46,597,832</u>
Liabilities		
Temporary borrowing	-	4,791,000
Accounts payable and accrued liabilities	2,728,568	6,351,665
Other liabilities	301,131	357,899
Deferred revenue (Note 3)	2,475,383	1,315,779
Deferred capital contributions (Note 4)	55,249,551	55,673,683
Employee benefits plan liability (Note 5)	4,809,988	6,926,404
Net long-term debt (Note 6)	<u>24,471,872</u>	<u>18,305,593</u>
	<u>90,036,493</u>	<u>93,722,023</u>
Net debt	<u>(43,312,944)</u>	<u>(47,124,191)</u>
Non-financial assets		
Prepaid expenses	837,443	972,778
Tangible capital assets (Note 7)	<u>58,151,007</u>	<u>58,452,018</u>
	<u>58,988,450</u>	<u>59,424,796</u>
Accumulated surplus (Note 8)	<u>\$ 15,675,506</u>	<u>\$ 12,300,605</u>

Contingent Liabilities and Contractual Obligations (Note 13 and Note 14)

Signed on behalf of the Board:

Director of Education

Chair of the Board

The Rainy River District School Board Statement of Operations

For the year ended August 31	Budget 2012	2012	2011
Revenue			
Provincial grants - grants for student needs	\$ 33,058,991	\$ 32,730,510	\$ 35,136,650
Provincial grants - other	692,010	1,941,228	1,326,280
Local taxation	4,364,643	4,262,315	4,317,469
School generated funds	1,300,000	1,398,031	1,315,409
Federal grants and fees	5,265,085	5,432,457	5,410,965
Investment income	50,000	232,804	247,777
Other revenue - school boards	28,355	509,333	547,613
Other fees and revenues	134,697	399,945	337,063
Deferred capital contributions	2,552,508	2,434,543	2,120,017
	47,446,289	49,341,166	50,759,243
Expenses			
Instruction	34,129,699	30,953,481	32,361,017
Administration	2,192,996	2,292,146	2,220,971
Transportation	2,510,363	3,062,254	2,902,888
Pupil accommodation	7,664,687	7,186,067	6,461,358
School generated funds	1,300,000	1,307,769	1,292,358
Other	1,024,614	1,164,548	1,164,809
	48,822,359	45,966,265	46,403,401
Annual surplus (deficit)	(1,376,070)	3,374,901	4,355,842
Accumulated surplus, beginning of year	10,260,350	12,300,605	7,944,763
Accumulated surplus, end of year	\$ 8,884,280	\$ 15,675,506	\$ 12,300,605

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

**The Rainy River District School Board
Statement of Change in Net Financial Assets (Debt)**

For the year ended August 31	2012	2011
Annual surplus	\$ 3,374,901	\$ 4,355,842
Tangible capital asset activity		
Acquisition of tangible capital assets	(2,201,083)	(12,500,891)
Amortization of tangible capital assets	2,502,094	2,177,167
Proceeds on sale of tangible capital assets	-	153,133
Proceeds allocated to deferred revenue	-	(153,133)
Total tangible capital asset activity	301,011	(10,323,724)
Other non-financial asset activity		
Use of prepaid expenses	135,335	206,754
Net change in net financial assets (debt)	3,811,247	(5,761,128)
Net financial assets (debt), beginning of year	(47,124,191)	(41,363,063)
Net financial assets (debt), end of year	\$ (43,312,944)	\$ (47,124,191)

The Rainy River District School Board Statement of Cash Flows

For the year ended August 31	2012	2011
Operating transactions		
Annual surplus	\$ 3,374,901	\$ 4,355,842
Items not involving cash		
Amortization of tangible capital assets	2,502,094	2,177,167
Gain on disposal of tangible capital assets	-	(153,133)
Amortization of deferred capital contributions	(2,434,543)	(2,120,017)
Changes in non-cash operating balances		
Increase in temporary investments	(6,682)	(487,383)
Decrease in accounts receivable	2,347,789	1,327,893
Decrease in prepaid expenses	135,335	206,754
Increase (decrease) in accounts payable and accrued liabilities	(3,623,097)	2,179,483
Increase (decrease) in other liabilities	(56,768)	146,930
Increase (decrease) in employee benefits plan liability	(2,116,416)	316,895
Increase (decrease) in deferred revenue - operating	306,793	(3,513,757)
Cash provided by (applied to) operating transactions	429,406	4,436,674
Capital transactions		
Acquisition of tangible capital assets	(2,201,083)	(12,500,891)
Proceeds on sale of tangible capital assets	-	153,133
	(2,201,083)	(12,347,758)
Investing transactions		
Proceeds on disposition of long-term investments	-	455,000
Financing transactions		
Decrease in temporary borrowing	(4,791,000)	(3,709,000)
Proceeds from issuance of long-term debt	6,633,876	12,537,672
Repayment of long-term debt	(467,597)	(188,802)
Increase in accounts receivable - Government of Ontario - approved capital	(517,695)	(1,446,889)
Increase in deferred capital contributions	2,010,411	9,879,141
Cash provided by (applied to) financing transactions	852,811	(4,693,168)
	3,720,806	12,378,954
Net change in cash and cash equivalents	1,949,129	4,922,870
Cash and cash equivalents, beginning of year	14,404,937	9,482,067
Cash and cash equivalents, end of year	\$ 16,354,066	\$ 14,404,937

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The Rainy River District School Board

Summary of Significant Accounting Policies

August 31, 2012

Basis of Accounting

The financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004, and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

The Rainy River District School Board Summary of Significant Accounting Policies

August 31, 2012

Basis of Accounting (continued)	<p>As a result, revenue recognized in the statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.</p>
	<p>Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the financial statements as at and for the year ended August 31, 2011, were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the school board prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act ("new financial reporting framework"). The school board has applied this new financial reporting framework retrospectively to the comparative information in these financial statements. There are no changes to accumulated surplus on the statement of financial position as at August 31, 2011, or the annual surplus on the statement of operations for the year ended August 31, 2011, as a result of the transition to this new financial reporting framework.</p>
Reporting Entity	<p>The financial statements reflect the assets, liabilities, revenues and expenses 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.</p>
	<p>School generated funds, which include the assets, liabilities, revenue and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the financial statements.</p>
Cash and Cash Equivalents	<p>Cash and cash equivalents include 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.</p>

The Rainy River District School Board Summary of Significant Accounting Policies

August 31, 2012

Investments	<p>Temporary 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.</p> <p>Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost and assessed regularly for permanent impairment.</p>
Deferred Revenue	<p>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.</p>
Deferred Capital Contributions	<p>Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible capital assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:</p> <ul style="list-style-type: none">• Government transfers received or receivable for capital purpose.• Other restricted contributions received or receivable for capital purpose.• Property taxation revenues which were historically used to fund capital assets.
Retirement and Other Employee Future Benefits	<p>The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, retirement gratuity, WSIB and long-term disability benefits. On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board has adopted the following policies with respect to accounting for these employee benefits.</p>

The Rainy River District School Board Summary of Significant Accounting Policies

August 31, 2012

**Retirement and
Other Employee
Future Benefits
(continued)**

- (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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012, and management's best estimate of discount rates. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vested 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 obligations for WSIB, 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.

- (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.

The Rainy River District School Board Summary of Significant Accounting Policies

August 31, 2012

Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the tangible capital asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Tangible capital assets, except land, are amortized on a straight line basis over their estimated useful lives as follows:

Buildings	40 years
Portable structures	20 years
Other buildings	20 years
Land improvements with finite lives	15 years
Furniture	10 years
First-time equipping	10 years
Equipment	5 to 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 to 10 years

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the statement of financial position.

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

The Rainy River District School Board Summary of Significant Accounting Policies

August 31, 2012

Government Transfers Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

Investment Income Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges, and special education forms part of the respective deferred revenue balances.

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. The budget figures are unaudited.

As Boards only budget the statement of operations, the budget figures in the statement of change in net financial assets (debt) have not been provided.

Use of Estimates The preparation of financial statements in conformity with the basis of accounting described above 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 reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

1. Temporary Investments

	2012 Cost	2012 Market Value	2011 Cost	2011 Market Value
Non-redeemable guaranteed investment certificate. Interest at 1.52% with a maturity date of December 19, 2012.	\$ 1,137,474	\$ 1,137,474	\$ 1,117,416	\$ 1,117,416
Redeemable guaranteed investment certificate. Interest at 1.0% with a maturity date of July 8, 2013.	448,625	448,625	448,625	448,625
School generated fund temporary investments	109,963	109,963	123,339	123,339
	\$ 1,696,062	\$ 1,696,062	\$ 1,689,380	\$ 1,689,380

2. Accounts Receivable - Government of Ontario - Approved Capital

The Province of Ontario (Province) replaced variable capital funding with a one-time debt support grant in 2009-10. The Rainy River District School Board received a one-time grant that recognizes capital debt as of August 31, 2010, that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive early capital grants to support capital programs which would be reflected in this account receivable.

The Board has an accounts receivable from the Province of Ontario of \$26,719,852 as at August 31, 2012, (2011 - \$26,202,156) with respect to capital grants.

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

3. Deferred Revenue

Revenues received that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2012, is comprised of:

	Balance as at August 31, 2011	Contributions received and externally restricted investment income	Revenue recognized in the period	Transfers (to) deferred capital contributions	Balance as at August 31, 2012
Pupil accommodation - Mine Centre	\$ 46,570	\$ 293	\$ -	\$ -	\$ 46,863
Energy efficient - capital	421,509	-	-	(378,604)	42,905
Third party	-	24,301	-	-	24,301
School condition improvement - capital	-	700,688	-	-	700,688
Deferred MET grant revenue	553,375	1,508,732	(295,783)	(401,876)	1,364,448
Proceeds on disposition	291,875	1,838	-	-	293,713
Teacherage rent - Mine Centre	2,450	15	-	-	2,465
Total deferred revenue	\$ 1,315,779	\$ 2,235,867	\$ (295,783)	\$ (780,480)	\$ 2,475,383

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

4. Deferred Capital Contributions

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 55,673,683	\$ 47,914,559
Additions to deferred capital contributions	2,010,411	9,879,141
Revenue recognized in the period	<u>(2,434,543)</u>	<u>(2,120,017)</u>
Balance, end of year	<u>\$ 55,249,551</u>	<u>\$ 55,673,683</u>

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

5. Employee Benefits Plan Liability

Retirement and Other Employee Future Benefits

Retirement and Other Employee Future Benefit Liabilities	Retirement Benefits	Other Employee Benefits	Total 2012	2011
Accrued employee future benefit obligations	\$ 4,809,988	\$ -	\$ 4,809,988	\$ 5,081,401
Unamortized actuarial gains (losses)	-	-	-	(128,614)
Employee benefit liability	<u>\$ 4,809,988</u>	<u>\$ -</u>	<u>\$ 4,809,988</u>	<u>\$ 4,952,787</u>

Retirement and Other Employee Future Benefit Expenses

	Retirement Benefits	Other Employee Benefits	Total 2012	2011
Current year benefit cost	\$ 390,402	\$ -	\$ 390,402	\$ 350,086
Interest on accrued benefit obligation	198,218	-	198,218	205,330
Amortized actuarial (gains) losses	-	-	-	(11,907)
Employee contributions	(642,324)	-	(642,324)	(275,691)
Curtailment (gain) loss	(592,016)	-	(592,016)	-
Recognition of unamortized actuarial losses (gains) on plan amendments/ curtailments	502,921	-	502,921	-
Employee benefit expense*	<u>\$ (142,799)</u>	<u>\$ -</u>	<u>\$ (142,799)</u>	<u>\$ 267,818</u>

*Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

The amount of benefits paid during the year was \$642,324 (2011 - \$275,691) for retirement benefits and \$NIL (2011 - \$NIL) for other employee future benefits.

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

5. Employee Benefits Plan Liability (continued)

Sick Leave

Sick Leave Liabilities				
	Sick Leave Benefits	Other Employee Benefits	Total 2012	2011
Accrued employee future benefit obligations	\$ -	\$ -	\$ -	\$ 2,504,179
Unamortized actuarial gains (losses)	-	-	-	(530,562)
Employee benefit liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,973,617</u>

Sick Leave Expenses				
	Sick Leave Benefits	Other Employee Benefits	Total 2012	2011
Current year benefit cost	\$ 140,446	\$ -	\$ 140,446	\$ 134,578
Interest on accrued benefit obligation	98,845	-	98,845	106,104
Employee contributions	(206,533)	-	(206,533)	39,424
Curtailment (gain) loss	(2,536,937)	-	(2,536,937)	(231,029)
Recognition of unamortized actuarial losses (gains) on plan amendments/ curtailments	530,562	-	-	-
Employee benefit expense*	<u>\$ (1,973,617)</u>	<u>\$ -</u>	<u>\$ (2,504,179)</u>	<u>\$ 49,077</u>

*Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

The amount of benefits paid during the year was \$206,533 (2011 - \$231,029) for sick leave benefits and \$NIL (2011 - \$NIL) for other employee future benefits.

The Rainy River District School Board

Notes to Financial Statements

August 31, 2012

5. Employee Benefits Plan Liability (continued)

Plan Changes

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. as a result employees eligible for retirement gratuity benefits will receive a payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short-term disability plan with no provisions for accumulation of unused sick days.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree accessing Retirement Life Insurance and Health Care Benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

Actuarial Assumptions

The accrued benefit obligations for the Board's employee future benefit plans as at August 31, 2012, are based on the most recent actuarial valuations for accounting purposes as at August 31, 2012. These valuations take into account the plan changes outlines above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2012</u>	<u>2011</u>
Expected future inflation rates	2.0%	2.0%
Expected wage and salary increases	NIL%	3.0%
Discount rate on accrued benefit obligations	3.0%	4.0%

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. Employee contribution rates are up to 8.8% of annual earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2012, the Board contributed \$505,420 (2011 - \$399,702) 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.

The Rainy River District School Board

Notes to Financial Statements

August 31, 2012

5. Employee Benefits Plan Liability (continued)

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's financial statements. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of \$592,016 and a corresponding curtailment gain was reported in the statement of operations as at August 31, 2012.

The Board has restricted a portion of its accumulated surplus for certain of these employee future benefit obligations in the amount of \$4,285,528 (2011 - \$NIL).

Other Employee Future Benefits

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule I 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, 2012, were \$213,803 (2011 - \$208,215) 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 provides life insurance, dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in the plan.

Sick Leave Benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time reduction to the obligation of \$2,536,937 and a corresponding curtailment gain was reported in the statement of operations as at August 31, 2012.

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

6. Net Long-term Debt

Net long-term debt reported on the statement of financial position is comprised of the following:

	2012	2011
\$1,072,658 financing for permanent improvements from the Ontario Financing Authority, by way of loan. Interest at 4.56% with blended semi-annual payments of principal and interest in the amount of \$36,175.17 each. Matures in 2031.	\$ 928,006	\$ 957,043
\$4,000,000 non-revolving term facility, by way of match funded term loans, due on demand. Interest at 4.87% with blended monthly payments of principal and interest in the amount of \$23,032.00 each. Matures in 2030.	3,199,558	3,316,999
\$1,443,144 financing for permanent improvements from the Ontario Financing Authority, by way of loan. Interest at 4.90% with blended semi-annual payments of principal and interest in the amount of \$50,588.64 each. Matures in 2033.	1,310,314	1,345,970
\$57,237 financing for replacement of Board vans, by way of loan, due on demand. Interest at 5.19% with blended monthly payments of principal and interest in the amount of \$1,084.00 each. Matures in 2013.	5,433	17,806
\$135,915 financing for permanent improvements from the Ontario Financing Authority, by way of loan. Interest at 5.062% with blended semi-annual payments of principal and interest in the amount of \$4,839.07 each. Matures in 2034.	126,971	130,103
\$12,537,672 financing for permanent improvements from the Ontario Financing Authority, by way of loan. Interest at 4.833% with blended semi-annual payments of principal and interest in the amount of \$872,681.26 each. Matures in 2036.	12,267,714	12,537,672
\$6,633,876 financing for permanent improvements from the Ontario Financing Authority, by way of loan. Interest at 3.564% with blended semi-annual payments of principal and interest in the amount of \$202,502.80 each. Matures in 2036.	6,633,876	-
	\$ 24,471,872	\$ 18,305,593

The long-term debt of the Board is subject to debt covenants. At August 31, 2012, the Board is in compliance with all debt covenants.

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

6. Net Long-term Debt (continued)

Principal repayments relating to net long-term debt of \$24,471,872 outstanding are due as follows:

	Principal Repayments	Interest	Total
2013	\$ 653,033	\$ 1,089,749	\$ 1,742,782
2014	677,131	1,060,146	1,737,277
2015	708,030	1,029,247	1,737,277
2016	740,362	996,915	1,737,277
2017	774,195	963,082	1,737,277
Thereafter	20,919,121	9,750,457	30,669,578
	<u>\$ 24,471,872</u>	<u>\$ 14,889,596</u>	<u>\$ 39,361,468</u>

The gross interest paid relating to the above long-term debt was \$984,532 (2011 - \$566,293).

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

7. Tangible Capital Assets

	COST		ACCUMULATED AMORTIZATION				Net book value August 31, 2011	Net book value August 31, 2012		
	Balance August 31, 2011	Balance August 31, 2012	Disposals	Balance August 31, 2012	Amortization and transfers	Disposals, write-offs, adjustments and transfers				
Buildings	\$ 60,553,165	\$ 6,946,367	\$ (2,045,499)	\$ 65,454,033	\$ 13,104,827	\$ 1,700,689	\$ (2,045,499)	\$ 12,760,017	\$ 52,694,016	\$ 47,448,338
Assets permanently removed from service	218,000	-	-	218,000	58,228	-	-	58,228	159,772	159,772
Construction in progress	5,826,216	(5,672,046)	-	154,170	-	-	-	-	154,170	5,826,216
Portable structures	609,635	-	-	609,635	103,995	29,937	-	133,932	475,703	505,639
Other buildings	236,662	22,101	-	258,763	22,664	12,417	-	35,081	223,682	213,998
Land	104,501	219,644	-	324,145	-	-	-	-	324,145	104,501
Land improvements	904,939	47,972	-	952,911	142,926	64,937	-	207,863	745,048	762,013
Furniture	77,592	-	(2,160)	75,432	19,175	7,651	(2,160)	24,666	50,766	58,417
First-time equipping	239,855	13,203	-	253,058	123,891	24,646	-	148,537	104,521	115,965
Equipment 5 years	119,687	47,453	(8,083)	159,057	41,965	27,874	(8,083)	61,756	97,301	77,721
Equipment 10 years	594,048	193,927	(17,275)	770,700	186,506	68,238	(17,275)	237,469	533,231	407,543
Equipment 15 years	1,373,400	12,470	-	1,385,870	30,684	60,001	-	90,685	1,295,185	1,342,716
Computer hardware	2,313,501	302,023	(335,089)	2,280,435	976,779	459,394	(335,089)	1,101,084	1,179,351	1,336,722
Computer software	50,714	9,298	(15,552)	44,460	33,954	9,518	(15,552)	27,920	16,540	16,760
Vehicles 5 years	217,133	58,671	-	275,804	141,436	36,792	-	178,228	97,576	75,697
Total	\$ 73,439,048	\$ 2,201,083	\$ (2,423,658)	\$ 73,216,473	\$ 14,987,030	\$ 2,502,094	\$ (2,423,658)	\$ 15,065,466	\$ 58,151,007	\$ 58,452,018

The net book value of tangible capital assets not being amortized because they are under construction or have been removed from service is \$313,943 (2011 - \$7,184,580); \$154,171 in tangible capital assets that are under construction and \$159,772 in tangible capital assets that have been permanently removed from service. \$19,952 (2011 - \$133,694) in interest was capitalized to tangible capital assets during the year.

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

8. Accumulated Surplus

The Board segregates its accumulated surplus in the following categories:

	2012	2011
Total operating accumulated surplus - unappropriated	\$ 4,527,814	\$ 9,414,525
Available for budget compliance - internally appropriated		
Retirement gratuities	4,285,528	-
School renewal grant	572,330	568,742
Manulife benefits	401,681	399,163
Professional development	52,682	33,351
Mine Centre	372,480	370,494
Reinvestment #1 - January 2010	1,182,712	1,175,298
Reinvestment #2 - March 2011	325,000	325,000
Reinvestment #3 - May 2012	705,000	-
Education Centre	3,952,418	3,982,474
Capital	2,487,314	2,471,722
Capital reinvestment - May 2012	650,000	-
	14,987,145	9,326,244
Total accumulated surplus available for budget compliance	19,514,959	18,740,769
Unavailable for budget compliance		
Employee future benefits	(4,809,988)	(6,926,404)
Other unavailable for compliance	(274,231)	(448,620)
Revenues recognized for land	324,145	104,501
School generated funds	920,621	830,359
	(3,839,453)	(6,440,164)
Total accumulated surplus	\$ 15,675,506	\$ 12,300,605

The Rainy River District School Board Notes to Financial Statements

August 31, 2012

9. Expenses by Object

	Budget 2012	2012	2011
Salaries and wages	\$ 29,764,058	\$ 29,358,631	\$ 28,693,233
Employee benefits	4,761,181	2,637,821	4,535,055
Staff development	579,500	395,741	482,738
Supplies and services	5,849,078	5,031,539	5,057,261
Interest charges on capital	1,048,328	1,014,721	566,293
Rental	71,216	47,058	51,855
Fees and contract services	2,957,596	3,735,513	3,505,370
Other	1,138,864	1,224,265	1,311,679
Transfers to other Boards	-	18,882	22,750
Amortization of tangible capital assets	2,652,508	2,502,094	2,177,167
	\$ 48,822,329	\$ 45,966,265	\$ 46,403,401

10. Debt Charges and Capital Loans Interest

	2012	2011
Principal payment on long-term liabilities including contributions to sinking funds	\$ 467,597	\$ 188,802
Interest payments on long-term liabilities	984,532	566,293
Interest payments on temporary financing	50,141	133,694
	\$ 1,502,270	\$ 888,789

The Rainy River District School Board

Notes to Financial Statements

August 31, 2012

11. Revolving Credit Facility

The Board has an unused revolving demand credit facility available with a limit of \$3,000,000. This credit facility carries an interest rate at the bank's prime rate and is secured by a current expenditure borrowing resolution.

12. 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. Liability insurance is available to a maximum of \$24,000,000 per occurrence.

The ultimate premiums over a five year period are based on the reciprocal's and the Board's actual claims experienced. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experienced. The current five year term expires December 31, 2016.

13. Contingent Liabilities

Lawsuits have been filed against the Board for incidents that relate to the construction of Board infrastructure. These lawsuits include a series of claims and counterclaims. In aggregate, there are claims against the Board totaling \$3,418,390. Management has provided for the undisputed portion of these claims in these financial statements as normal trade payables. In the opinion of management, the outcome of the balance of the claims is not determinable. Accordingly, no provision has been made for that portion of the claim. Any such loss will be charged to operations in the year of resolution.

14. Contractual Obligations

Leasing of other equipment

The Board routinely acquires or replaces photo-copying equipment, telephone equipment and other equipment by way of leasing through a bank or a supplier.

The Rainy River District School Board

Notes to Financial Statements

August 31, 2012

15. Repayment of "55 School Board Trust" Funding

On June 1, 2003, the Board received \$13,256,442 from the "55 School Board Trust" for its capital related debt eligible for provincial funding support pursuant to a 30 year agreement it entered into 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 above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's statement of financial position.

16. Segment Information

The Rainy River District School Board is a government institution that provides primarily education services. No additional disclosure on a segmented basis was considered necessary as the Board considers all the services and activities they provide to be encompassed in the segment of education.

17. Subsequent Event

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27, 2012. The requirements of this new legislation was used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in Note 5.