

RAINY RIVER DISTRICT SCHOOL BOARD

Financial Statement and Auditors' Report

For the year ended August 31, 2002

Auditors' Report

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

We have audited the Balance Sheet of the Rainy River District School Board as at August 31, 2002, and the Revenue Fund Statement of Operations, the Capital Fund Statement of Operations and the Reserve Fund 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 1 to the financial statements.

November 20, 2002
Fort Frances, Ontario
1054

BDO Dunwoody LLP
Chartered Accountants
Municipal Licence Number

RAINY RIVER DISTRICT SCHOOL BOARD

Balance Sheet

As At August 31, 2002

ASSETS	<u>2002</u>
Current Assets	
Cash	\$ 0
Investments at cost	218,891
Accounts receivable	
Municipalities	483,082
Other	3,616,960
Prepaid expense	33,873
Other current assets	0
Total Current Assets	<u>\$ 4,352,806</u>
Capital outlay permanently financed	0
Capital outlay not permanently financed	13,256,442
Other Assets	0
TOTAL ASSETS	<u><u>\$ 17,609,248</u></u>
LIABILITIES	
Current Liabilities	
Bank and other short-term borrowing	\$ 147,027
Accounts payable and accrued liabilities	
Municipalities	0
Other	2,038,033
Current portion of net long-term debt	0
Other current liabilities	451,949
Total Current Liabilities	<u>2,637,009</u>
Net long-term liabilities	13,256,444
Reserve for working funds	671,501
Equity in reserve funds	1,044,294
Unexpended capital funds	0
Accumulated Surplus (Deficit)	0
TOTAL LIABILITIES	<u><u>\$ 17,609,248</u></u>

Signed On Behalf Of The Board:

Warren Hoshizaki
Director of Education

Gord McBride
Chair of the Board

RAINY RIVER DISTRICT SCHOOL BOARD

Notes to Financial Statements

August 31, 2002

1. Significant Accounting Policies

The financial statements have been prepared by the Board using accounting principles that are prescribed by the Ministry of Education and Training and are considered appropriate for Ontario School Boards. These principles are in accordance with Canadian generally accepted accounting principles except as noted in paragraphs (a) to (e):

(a) Accrual Accounting

Revenue and expenditure are accounted for on the accrual method except for:

- (i) No provision has been made to record liability for employee future benefits as described in CICA handbook section 3461 (see note 2).
- (ii) No provision is made for interest on unmatured debenture debt from the date of payment to the year-end (see note 3).
- (iii) Vacation pay is recorded as a salary expense when it is paid.
- (iv) The education portion of municipal supplementary taxes and tax write-offs have not been accrued for the calendar 2002.

(b) Capital Assets

The acquisition of capital assets is expensed unless they are or will be 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 extent of the balance of the related net long-term liabilities outstanding. Capital expenditures not permanently financed are recorded separately on the balance sheet until permanent financing has been arranged.

(c) Reserves and Reserve Funds

Reserves and Reserve Funds represent funds appropriated for general and specific purposes and are charged or credited to Revenue Fund operations in the year appropriated or drawn down. The amounts in Reserves and Reserve Funds are approved by the Board and are within the limits defined in the Education Act and its regulations.

(d) Accumulated 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.

(e) The Legislative Grants

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

(f) Use of Estimates

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

(g) Financial Instruments

The balance sheet value for short-term investments, accounts receivable, short-term borrowing, accounts payable and accrued liabilities approximates fair value because of their limited term. The balance sheet value of the net long-term liabilities approximates fair value because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different. Fair value estimates are made as at the balance sheet date based on relevant information and information about the financial instruments.

2. Employee Future Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Board's employment. No reserve has been made on account of the sick leave benefit plan. Expenditures on account of sick leave retirement gratuities made in the year were \$493,156 (2001 - \$642,778). The board has a liability related to this sick leave benefit plan but the amount has not been disclosed as it has not been actuarially determined.

3. Net Long-term Liabilities

There were no net long-term liabilities outstanding at August 31, 2002 for which repayments of principal and interest are scheduled over the next five years. (Temporary financing for recent construction projects amounts to \$13,256,444).

4. Area of Jurisdiction Without Municipal Organization

The Board performs the duties of levying and collecting taxes, conducting election of members, etc. in territory without municipal organization. The amounts required for 2002 did not include outlay by the Board in respect of performing duties of a municipal council.

5. Revenue Fund Statement of Operations

(a) 2001-02 Estimates

The 2001-02 estimates data shown on this schedule are the budget amounts approved by the Board and submitted to the Ministry of Education. These amounts have not been audited by the Board's external auditors.

(b) Debt Charges and Capital Loan Interest

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

Principal payment on long-term liabilities	
including contribution to sinking fund	\$ -
Interest payment on long-term liabilities	-
Interest payment on temporary financing of capital projects	<u>483,246</u>
	<u>\$ 483,246</u>

6. Pension Plan Costs

Substantially all non-teaching employees of the School Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS) which is a multi-employer final average pay contributory plan. No employer contributions were made to the plan during the 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 contribution to the Ontario Teacher's Pension Plan. The funding for such is provided directly by the Province of Ontario.

7. 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.

8. Disclosure of Controlled and Related Entities

The Board does not control nor has significant influence nor economic interest in other not for profit or for profit enterprises.

9. Contractual Obligations and Contingent Liabilities

(a) Contracts for the construction of new buildings

The Board was involved in the construction of the Westfort Multi-Use Project. The cost of the High School portion of the project was estimated at \$21,250,000. The project attracted \$10,287,633 in grant from the Ministry of Education and Training leaving a balance in excess of \$10,962,367 for a debenture issue.

(b) Leasing of automotive equipment

During 1996, the Board guaranteed leasing agreements with a bank on four school buses owned by contracted bus operators. The cost of the four buses was \$250,260. The term of each lease is seven years and the annual repayments made by the contractors total \$51,940. In the event of default by the contractors, the Board will take possession of the buses.

During 1998, the Board entered into a leasing agreement with a bank to acquire two school buses at a cost of \$128,331. The term of the lease is eight years. Annual repayments total \$22,995.

During 1998, the Board guaranteed leasing agreements with a bank on three school buses owned by contracted bus operators. The cost of the three buses was \$191,000. The term of each lease is eight years and the annual repayments made by the contractors total \$34,224. In the event of default by the contractors, the Board will take possession of the buses.

During 2001, the Board entered into a leasing agreement with a bank to acquire a maintenance vehicle at a cost of \$35,941. The term of the lease is four years. Annual payments total \$8,985.

During 2002, the Board entered into a leasing agreement with a bank to acquire a computer service van at a cost of \$35,925. The term of the lease is four years. Annual payments total \$9,381.

(c) Leasing of other equipment

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

Rainy River District School Board
Revenue Fund, Statement of Operations
For the year ended August 31, 2002

Expenditure

Classroom	\$ 16,707,695
Non-classroom	4,463,218
Administration	1,422,973
Pupil transportation	2,367,821
Pupil accommodation	4,329,770
Other non-operating expenditure (excluding transfers to reserves)	301,165

Total expenditure	\$ 29,592,642
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Recovery of Expenditure

School boards - other	\$ 398,931
Government of Ontario - other	628,727
Government of Canada	2,600,156
Individuals - tuition fees	0
Other Revenue (excluding transfers from reserves)	326,488

Total recovery of expenditure	\$ 3,954,302
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NET EXPENDITURE	\$ 25,638,340
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Financing of Net Expenditures

Legislative grants	\$ 20,665,674
Local taxes	5,746,329
Decrease (increase) in reserves	(773,663)
Previous year-end accumulated surplus (deficit)	0

To be applied to the following year

Accumulated deficit (surplus) at year-end	0
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TOTAL FINANCING	\$ 25,638,340
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Rainy River District School Board
Capital Fund Statement of Operations
For the year ended August 31, 2002

Capital Expenditure:	<u>2001 / 2002</u>
Capital Assets and Work In Progress	
New Pupil places	\$ 0
School Renewal	569,226
Instructional computers	1,073,780
ISA Equipment	17,056
EDC Capital	0
Other capital expenditures	707,341
Total Capital Expenditure	\$ 2,367,403
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Capital Financing:	
Unexpended Funds at Beginning of Year, or (Balance at Beginning of Year not Permanently Financed)	\$ (12,857,616)
Long-Term Liabilities Issued and Sold	
Contributions from Government of Canada	
Capital Expenditure financed from the Revenue Fund	1,968,577
Transfer of Surplus Capital Funds to the Revenue Fund	0
Balance at end of Year not Permanently Financed or (Unexpended Funds at End of Year)	13,256,442
Total Capital Financing	\$ 2,367,403
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Rainy River District School Board
Reserve Funds - Statement of Continuity
For the year ended August 31, 2002

Capital Reserve Funds

Purpose for which the fund was established	Balance at Sept. 1'01	Transfers to the Reserve Fund	Earnings on Reserve Fund Investments	Transfer from the Reserve Fund	Balance at Aug 31'02
Pupil Accommodation Allocation Reserve	360,570	7,937		0	368,507
Proceeds of Dispositions Reserve	26,966				26,966
MECR/BECD	17,511				17,511
Improved Access for Special Education Reserve	26,494			6,123	20,371
TOTAL CAPITAL RESERVE FUNDS	431,541	7,937	0	6,123	433,355

Non-Capital Reserve Funds

Purpose for which the fund was established	Balance at Sept. 1'01	Transfers to the Reserve Fund	Earnings on Reserve Fund Investments	Transfer from the Reserve Fund	Balance at Aug 31'02
Reserve for Classroom Expenditure	46,855	324,000			370,855
Elementary PD Reserve	28,001	7,599		16,026	19,574
LH Reserve	214,539	5,971			220,510
TOTAL NON-CAPITAL RESERVE FUNDS	289,395	337,570	0	16,026	610,939

Reserve for Working Funds	Balance at Sept. 1'01	Transfers to the Reserve Fund	Earnings on Reserve Fund Investments	Transfer from the Reserve Fund	Balance at Aug 31'02
Reserve for Working Funds	221,196	450,305			671,501