

RAINY RIVER DISTRICT SCHOOL BOARD

Financial Statement and Auditors' Report

For the year ended August 31, 2003

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, 2003, 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 have been prepared to comply with Section 252 of the Education Act of Ontario. 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, 2003, and the results of its operations for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the trustees of the Board and the Minister of Education of Ontario for complying with Section 252 of the Education Act of Ontario. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

November 5, 2003
Fort Frances, Ontario

BDO Dunwoody LLP
Chartered Accountants
Municipal Licence Number 1054

RAINY RIVER DISTRICT SCHOOL BOARD

Balance Sheet

As At August 31, 2003

ASSETS	<u>2003</u>
Current Assets	
Cash	\$ 1,870,525
Investments at cost	246,353
<u>Accounts receivable</u>	
Municipalities	623,163
Other	1,760,638
Prepaid expense	14,569
Other current assets	0
Total Current Assets	<u>\$ 4,515,248</u>
Capital outlay to be recovered in future years-permanently financed	0
Capital outlay to be recovered in future years-not permanently financed	0
Other Assets	0
TOTAL ASSETS	<u><u>\$ 4,515,248</u></u>
 LIABILITIES	
Current Liabilities	
Bank and other short-term borrowing	\$ 0
<u>Accounts payable and accrued liabilities</u>	
Municipalities	0
Other	1,959,163
Current portion of net long-term debt	0
Other current liabilities	360,989
Total Current Liabilities	<u>2,320,152</u>
Net long-term liabilities	0
Reserve for working funds	671,501
Equity in reserve funds	1,523,595
Unexpended capital funds	0
Accumulated Surplus (Deficit)	0
TOTAL LIABILITIES	<u><u>\$ 4,515,248</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, 2003

1. Significant Accounting Policies

The financial statements have been prepared by the Board in accordance with Section 252 of the Education Act, using accounting principles that are prescribed by the Ministry of Education and are considered appropriate for Ontario School Boards. These principles are consistent with those used in prior years. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as described 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. (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 2003.

(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 are stated at the lower of cost or marker value.

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 \$355,783 (2002 - \$493,156). The board's August 31, 2003 liability related to this sick leave benefit plan is \$3,959,231. This has been actuarially determined.

3. Net Long-term Liabilities

There were no net long-term liabilities outstanding at August 31, 2003 for which repayments of principal and interest are scheduled over the next five years.

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 2003 did not include outlay by the Board in respect of performing duties of a municipal council.

5. Revenue Fund Statement of Operations

(a) 2002-03 Estimates

The 2002-03 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>416,216</u>
	<u>\$ 416,216</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 until December 31, 2002 due to a contribution holiday. Contribution at a reduced rate was reinstated effective January 1, 2003.

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 is involved in the construction of the J.W. Walker Project. The cost of the project was estimated at \$5,500,000. Anticipated funding will be through a debenture of approximately \$4,600,000 with the balance financed through operations.

(b) Leasing of automotive equipment

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.

During 2003, the Board entered into a leasing agreement with a bank to acquire an operations vehicle at a cost of \$42,539. The term of the lease is five years. Annual payments total \$8,508.

During 2003, the Board entered into a leasing agreement with a bank to acquire a cargo van at a cost of \$34,530. The term of the lease is three years. Annual payments total \$11,510.

(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.

(d) 55 School Board Trust

During the year the 55 School Board Trust was set up to finance non-permanently financed capital expenditures of various Ontario District School Boards. The financing was secured by an assignment of future legislated grants. Each participating Board has agreed to indemnify the Trustee on a several basis for any losses sustained by the Trustee.

Rainy River District School Board
Revenue Fund, Statement of Operations
For the year ended August 31, 2003

Expenditure

Classroom	\$ 17,157,215
Non-classroom	4,390,096
Administration	1,512,516
Pupil transportation	2,474,494
Pupil accommodation	5,369,382
Other non-operating expenditure (excluding transfers to reserves)	229,760

Total expenditure \$ 31,133,463

Recovery of Expenditure

School boards - other	\$ 402,541
Government of Ontario - other	336,020
Government of Canada	2,955,190
Individuals - tuition fees	1,150
Other Revenue (excluding transfers from reserves)	328,203

Total recovery of expenditure \$ 4,023,104

NET EXPENDITURE \$ 27,110,359

Financing of Net Expenditures

Legislative grants	\$ 21,809,622
Local taxes	5,780,038
Decrease (increase) in reserves	(479,301)
Previous year-end accumulated surplus (deficit)	0

To be applied to the following year

Accumulated deficit (surplus) at year-end 0

TOTAL FINANCING \$ 27,110,359

CONTINUITY OF REVENUE FUND BALANCE

Prior year accumulated surplus (deficit)	0
In year surplus (deficit)	0
Accumulated surplus (deficit) at year-end	0

Rainy River District School Board
Capital Fund Statement of Operations
For the year ended August 31, 2003

Capital Expenditure:	<u>2002 / 2003</u>
<u>Capital Assets and Work In Progress</u>	
New Pupil places	\$ 0
School Renewal	1,657,826
Instructional computers	568,372
ISA Equipment	96,488
EDC Capital	0
Other capital expenditures	<u>189,235</u>
Total Capital Expenditure	\$ 2,511,921
<hr style="border-top: 3px double #000;"/>	
Capital Financing:	
Unexpended Funds at Beginning of Year	\$ 0
(Balance at Beginning of Year not Permanently Financed)	(13,256,442)
Long-Term Liabilities Issued and Sold	0
Other Capital Contributions	13,256,442
Capital Expenditure financed from the Revenue Fund	2,511,921
(Transfer of Surplus Capital Funds to the Revenue Fund)	0
Balance at end of Year not Permanently Financed	0
(Unexpended Funds at End of Year)	<u>0</u>
Total Capital Financing	\$ 2,511,921

Notes:

Capital financing to be reported are capital contributions on account of capital projects, proceeds of debentures sold, capital loans and capital leases. Funds received from the 55 school board trust for the outstanding amount of NPF are to be reported as capital contributions on this schedule. All other financing, including earnings on temporary investment of capital fund monies are to be recorded through the revenue fund.

The amount shown as long term liab. Issued and sold is the net proceeds from sale of debentures (net of premiums and/or discounts), capital loans and capital leases. The cost of issuing debentures is to be included as part of the related project cost.

Transfer of surplus capital funds to the revenue fund is applicable only in instances where the proceeds of a debenture exceeds the cost of the project to be financed from the debenture and the balance is not retained as Unexpended Capital.

Capital Reserve Funds

Purpose for which the fund was established	Balance at Sept. 1'02	Transfers to the Reserve Fund	Earnings on Reserve Fund Investments	Transfer from the Reserve Fund	Balance at Aug 31'03
Pupil Accommodation Allocation Reserve	368,507	11,879	0	99,295	281,091
Proceeds of Dispositions Reserve	26,966	0	0	0	26,966
MECR/BECR	17,511	0	0	0	17,511
Improved Access for Special Education Reserve	20,371	0	0	0	20,371
TOTAL CAPITAL RESERVE FUNDS	433,355	11,879	0	99,295	345,939

Non-Capital Reserve Funds

Purpose for which the fund was established	Balance at Sept. 1'02	Transfers to the Reserve Fund	Earnings on Reserve Fund Investments	Transfer from the Reserve Fund	Balance at Aug 31'03
Classroom Expenditure	370,855	464,068	0	0	834,923
Elementary PD Reserve	19,574	10,000	0	10,774	18,800
LH Reserve	220,510	28,866	0	0	249,376
At Risk	0	74,557	0	0	74,557
Sub-total Other Non-Capital	240,084	113,423	0	10,774	342,733
TOTAL NON-CAPITAL RESERVE FUNDS	610,939	577,491	0	10,774	1,177,656

Total - Non-Capital Reserve Funds	Balance at Sept. 1'02	Transfers to the Reserve Fund	Earnings on Reserve Fund Investments	Transfer from the Reserve Fund	Balance at Aug 31'03
Working Funds	671,501	0	0	0	671,501