

**The Rainy River District School  
Board  
Consolidated Financial  
Statements**

**For the year ended August 31, 2005**

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# *Rainy River*

DISTRICT SCHOOL BOARD

## MANAGEMENT REPORT

### Management's Responsibility for the Financial Statements

The accompanying financial statements of the **Rainy River District School Board** are the responsibility of the Board management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are 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 Dunwoody 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.

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#### DIRECTOR

Jack McMaster

Director of Education  
Jack McMaster

Superintendent of Business  
Laura Mills, C.A.

November 15, 2005

# The Rainy River District School Board

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## Auditors' Report

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

We have audited the consolidated statement of financial position of the Rainy River District School Board as at August 31, 2005, and the consolidated statements of financial activities and changes in financial position 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.

Except as explained in the following paragraph, 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 common with many School Boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, net revenue, financial assets and net financial position.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Rainy River District School Board as at August 31, 2005, and the results of its financial activities and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

We issued our audit report dated November 30, 2004, on the financial statements as at and for the year ended August 31, 2004. Our audit report contained a qualification with respect to the non-recording of school generated activities.

Chartered Accountants

Fort Frances, Ontario  
November 15, 2005  
(Except as to Note 12, which is as of December 20, 2005)

**The Rainy River District School Board  
Consolidated Statement of Financial Position**

<b>August 31</b>	<b>2005</b>	<b>2004</b>
<b>Financial assets</b>		
Cash and cash equivalents	\$ 2,603,458	\$ 1,481,589
Accounts receivable	4,369,470	4,871,052
Investments (Note 3)	1,345,951	339,168
<b>Total financial assets</b>	<b>8,318,879</b>	<b>6,691,809</b>
<b>Financial liabilities</b>		
Temporary borrowing	-	4,000,000
Accounts payable and accrued liabilities	2,757,983	1,836,025
Net long-term liabilities (Note 4)	3,915,877	-
Other	508,544	371,254
Deferred revenue - reserves (Note 5)	2,286,358	1,641,669
Employee benefits payable (Note 6)	5,621,863	5,754,446
<b>Total financial liabilities</b>	<b>15,090,625</b>	<b>13,603,394</b>
<b>Net financial liabilities</b>	<b>(6,771,746)</b>	<b>(6,911,585)</b>
<b>Non-financial assets</b>		
Prepaid expenses	-	33,111
<b>Total non-financial assets</b>	<b>-</b>	<b>33,111</b>
<b>Net assets</b>	<b>\$ (6,771,746)</b>	<b>\$ (6,878,474)</b>
<b>Financial position</b>		
Operating fund	\$ -	\$ -
Capital fund	(1,041,341)	(4,000,000)
Reserve fund	3,556,398	2,664,992
School activities fund	395,374	381,682
<b>Total fund balance</b>	<b>2,910,431</b>	<b>(953,326)</b>
Amounts to be recovered (Note 7)	<b>(9,682,177)</b>	<b>(5,925,148)</b>
<b>Net financial position</b>	<b>\$ (6,771,746)</b>	<b>\$ (6,878,474)</b>

On Behalf of the Board:

\_\_\_\_\_ Trustee

\_\_\_\_\_ Trustee

## The Rainy River District School Board Consolidated Statement of Financial Activities

<b>For the year ended August 31</b>	<b>2005 Budget</b>	<b>2005 Actual</b>	<b>2004 Actual</b>
<b>Revenues</b>			
Local taxation	\$ 5,661,078	\$ 5,635,904	\$ 5,479,552
Provincial grants - student focused funding	25,171,459	25,739,565	24,786,482
Provincial grants - other	-	583,982	292,247
Federal grants and fees	3,027,301	3,360,167	3,375,227
Other revenues - school boards	-	481,000	427,397
Other fees and revenues	100,000	2,552,505	812,211
Investment income	-	33,381	13,407
School fundraising	-	1,253,239	-
<b>Total revenues</b>	<b>33,959,838</b>	<b>39,639,743</b>	<b>35,186,523</b>
<b>Expenditures</b>			
Instruction	24,317,984	25,824,864	23,789,268
Administration	1,909,647	1,683,264	1,673,514
Transportation	2,414,309	2,734,017	2,606,357
School operations and maintenance	3,565,230	3,964,490	3,890,186
Pupil accommodation	915,054	1,512,672	4,743,031
Other	987,614	2,541,050	1,664,237
School funded activities	-	1,239,547	-
<b>Total expenditures</b>	<b>34,109,838</b>	<b>39,499,904</b>	<b>38,366,593</b>
<b>Net revenues (expenditures)</b>	<b>(150,000)</b>	<b>139,839</b>	<b>(3,180,070)</b>
<b>Increase (decrease) in prepaid expenses</b>	<b>-</b>	<b>(33,111)</b>	<b>18,542</b>
<b>Increase (decrease) in non-financial assets</b>	<b>-</b>	<b>(33,111)</b>	<b>18,542</b>
<b>Change in net assets (liabilities)</b>	<b>(150,000)</b>	<b>106,728</b>	<b>(3,161,528)</b>
<b>Financing transactions</b>			
Increase in long-term financing	-	4,000,000	-
Debt repayments	-	(84,123)	-
Increase (decrease) in unfunded liabilities	-	(158,848)	229,744
<b>Change in amounts to be recovered</b>	<b>-</b>	<b>3,757,029</b>	<b>229,744</b>
<b>Change in fund balances</b>	<b>-</b>	<b>3,863,757</b>	<b>(2,931,784)</b>
<b>Opening fund balances (Note 1)</b>	<b>-</b>	<b>(953,326)</b>	<b>1,596,776</b>
<b>Closing fund balances</b>	<b>\$ (150,000)</b>	<b>\$ 2,910,431</b>	<b>\$ (1,335,008)</b>

## The Rainy River District School Board Consolidated Statement of Changes in Financial Position

<b>For the year ended August 31</b>	<b>2005</b>	<b>2004</b>
<b>Operations</b>		
Net revenues (expenditures)	\$ 139,839	\$ (3,180,070)
<b>Sources and (uses)</b>		
Decrease (increase) in accounts receivable	501,582	(2,487,251)
Increase (decrease) in accounts payable and accrued liabilities	921,958	(279,500)
Increase in other liabilities	137,290	10,265
Increase in deferred revenues - reserves	644,689	1,043,349
Increase in employee benefits payable	(132,583)	215,404
<b>Net increase (decrease) in cash from operations</b>	<b>2,212,775</b>	<b>(4,677,803)</b>
<b>Investing</b>		
Increase in investments	(1,006,783)	(92,815)
<b>Net decrease in cash from investing</b>	<b>(1,006,783)</b>	<b>(92,815)</b>
<b>Financing activities</b>		
Increase in long-term debt	4,000,000	-
Repayment of long-term debt	(84,123)	-
	<b>3,915,877</b>	<b>-</b>
<b>Change in cash and cash equivalents</b>	<b>5,121,869</b>	<b>(4,770,618)</b>
<b>Opening cash and cash equivalents</b>	<b>(2,518,411)</b>	<b>2,252,207</b>
<b>Closing cash and cash equivalents</b>	<b>\$ 2,603,458</b>	<b>\$ (2,518,411)</b>
<b>Represented by</b>		
Cash	\$ 2,603,458	\$ 1,481,589
Temporary borrowing	-	(4,000,000)
	<b>\$ 2,603,458</b>	<b>\$ (2,518,411)</b>

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# The Rainy River District School Board

## Notes to Financial Statements

**August 31, 2005**

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### 1. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The inclusion of school generated funds is required by the Ministry of Education for the 2004 - 2005 fiscal year and, as a result, management has restated the bank balance and the opening school activities fund balance (\$381,682) for the 2003 - 2004 fiscal year to include the opening balance for the school funds.

#### (a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

#### (b) Trust Funds

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

#### (c) Basis of Accounting

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

#### (d) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

#### (e) Investments

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

#### (f) Capital Assets

The historical cost and accumulated amortization of capital assets are not reported. Capital assets are reported as expenditures on the consolidated Statement of Financial Activities in the year of acquisition.



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# The Rainy River District School Board

## Notes to Financial Statements

**August 31, 2005**

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### 1. Significant Accounting Policies (continued)

#### (g) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

#### (h) Retirement and Other Employee Future Benefits

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

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

For self insured retirement and other employee future benefits that 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 worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period;

- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

#### (i) Reserves and Reserve Funds

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

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# The Rainy River District School Board

## Notes to Financial Statements

**August 31, 2005**

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### 1. Significant Accounting Policies (continued)

(j) Government Transfers

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

(k) Investment Income

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

Investment income earned on externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balances.

(l) Budget Figures

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

(m) Use of Estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates.

# The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

## 2. Adoption of Public Sector Accounting Recommendations

Commencing in 2004, the Board has adopted Canadian generally accepted accounting principles applying the local government accounting standards issued by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, school generated funds have been included, as disclosed in Note 1 to these consolidated financial statements. The comparative figures included in these consolidated financial statements have been restated to conform with the accounting standards adopted for the current year.

Key elements of the changes to the balances reported include:

- ◆ Establishing a liability on the Board's accounts for estimated employees future benefit obligations associated with Retirement Gratuities, Post Retirement Benefits, sick leave and vacation pay earned but untaken. The restated consolidated Statement of Financial Activities includes the cost of providing these benefits in the period earned.
- ◆ Establishing a liability for the accrued interest obligation in respect of debenture debt obligations that arises since the last payment date and restating the expenditure in the consolidated Statement of Financial Activities to show only interest expense on an accrual basis, excluding payments on account of repayment of principal.
- ◆ Report amounts received that are subject to restrictions arising from legislation, regulations or agreements with external parties as deferred revenues. Previously such amounts were reported as revenues when received and accumulated in reserve funds. Amounts reported in the restated consolidated Statement of Financial Activities include only revenues realized in the period expended in a manner consistent with the purpose specified.

To facilitate comparability, retroactive restatement has been made of the corresponding comparative figures for the 2004 year for sick leave. A summary of the impact of key aspects of the restatement and the impact on amounts reported is set out below.

	Impact On		
	Fiscal 2005 Net Expenditure	Fiscal 2004 Net Expenditure	Sept. 1, 2004 Fund Balances
Recording employee future benefit (sick leave)	\$ 9,899	\$ -	\$ 1,502,966

## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

### 3. Investments

Investments consisting of marketable securities are comprised as follows:

	Cost	2005 Market Value	Cost	2004 Market Value
Non-redeemable guaranteed investment certificate. Interest at 2.35% with a maturity date of March 20, 2006.	\$ 345,951	\$ 345,951	\$ 339,168	\$ 339,168
Non-redeemable guaranteed investment certificate. Interest at 2.41% with a maturity date of August 29, 2006.	1,000,000	1,000,000	-	-
	<b>\$ 1,345,951</b>	<b>\$ 1,345,951</b>	<b>\$ 339,168</b>	<b>\$ 339,168</b>

### 4. Net Long-term Liabilities

There is net long-term debt outstanding at August 31, 2005, for which repayments of principal and interest are scheduled over the next five years.

	2005	2004
\$4,000,000 non-revolving term facility, by way of match funded term loans. Interest at 3.53% with blended monthly payments of principal and interest in the amount of \$20,100 each.	<b>\$ 3,915,877</b>	\$ -

Principal payments relating to net long-term liabilities of \$ 3,915,877 outstanding as at August 31, 2005, are due as follows:

Year	Principal	Interest	Total
2006	\$ 105,661	\$ 135,539	\$ 241,200
2007	109,424	131,776	241,200
2008	113,321	127,879	241,200
2009	117,356	123,844	241,200
2010	121,535	119,665	241,200
Thereafter	3,348,580	1,244,612	4,593,192
	<b>\$ 3,915,877</b>	<b>\$ 1,883,315</b>	<b>\$ 5,799,192</b>

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## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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### 5. 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 consolidated Statement of Financial Position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2005, is comprised of:

	Balance as at August 31, 2004	Externally Restricted Revenue and Investment Income	Revenue recognized in the period	Balance as at August 31, 2005
Classroom	\$ 1,597,192	\$ 552,227	\$ -	\$ 2,149,419
Proceeds of disposition	26,966	92,356	-	119,322
Other				
MECR/BECR	17,511	106	-	17,617
<b>Total deferred revenue</b>	<b>\$ 1,641,669</b>	<b>\$ 644,689</b>	<b>\$ -</b>	<b>\$ 2,286,358</b>

## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

### 6. Retirement and Other Employee Future Benefits

Retirement and Other Employee Future Benefit Liabilities	<b>2005</b>			2004
	<b>Retirement Benefits</b>	<b>Other Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>	Total Employee Future Benefits
Accrued Employee Future Benefit Obligations at August 31, 2005	\$ 4,078,341	\$ 31,457	\$ 4,109,798	\$ 4,252,280
Unamortized Actuarial Gains (Losses) at August 31, 2005	-	-	-	-
<b>Employee Future Benefits Liability at August 31, 2005</b>	<b>\$ 4,078,341</b>	<b>\$ 31,457</b>	<b>\$ 4,109,798</b>	<b>\$ 4,252,280</b>

Retirement and Other Employee Future Benefit Expenses	<b>2005</b>			2004
	<b>Retirement Benefits</b>	<b>Other Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>	Total Employee Future Benefits
Current year benefit costs	\$ 313,628	\$ -	\$ 313,628	\$ 294,064
Interest on accrued benefit obligation	182,325	1,682	184,007	221,851
Employee contributions	(624,896)	(15,221)	(640,117)	(300,511)
<b>Employee future benefits expenses*</b>	<b>\$ (128,943)</b>	<b>\$ (13,539)</b>	<b>\$ (142,482)</b>	<b>\$ 215,404</b>

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

## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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

**Sick Leave**

Sick Leave Liabilities	<b>2005</b>		2004	
	<b>Retirement Benefits</b>	<b>Other Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>	Total Employee Future Benefits
Accrued Employee Future Benefit Obligations at August 31, 2005	\$ 1,512,065	\$ -	\$ 1,512,065	\$ 1,502,166
Unamortized Actuarial Gains (Losses) at August 31, 2005	-	-	-	-
<b>Employee Future Benefits Liability at August 31, 2005</b>	<b>\$ 1,512,065</b>	<b>\$ -</b>	<b>\$ 1,512,065</b>	<b>\$ 1,502,166</b>

Sick Leave Expenses	<b>2005</b>		2004	
	<b>Sick Leave Benefits</b>	<b>Other Employee Future Benefits</b>	<b>Total Employee Future Benefits</b>	Total Employee Future Benefits
Current year benefit costs	\$ 100,612	\$ -	\$ 100,612	\$ -
Interest on accrued benefit obligation	66,328	-	66,328	-
Employee contributions	(157,041)	-	(157,041)	-
<b>Employee future benefits expenses*</b>	<b>\$ 9,899</b>	<b>\$ -</b>	<b>\$ 9,899</b>	<b>\$ -</b>

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

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## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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### **6. Retirement and Other Employee Future Benefits (continued)**

#### **Retirement Benefits**

##### **(i) Ontario Teacher's Pension Plan**

Teachers and related employee groups are eligible to be members of 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. From January 1, 2003, to December 31, 2003, eligible employees contributed at reduced rates of up to 2.6% of earnings. Effective January 1, 2004, employee contribution rates returned to levels of up to 8.8% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2005, the Board contributed \$241,831 (2004 - \$171,605) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's financial statements.

##### **(iii) Retirement Gratuities**

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. 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.

##### **(iv) Retirement Life Insurance and Health Care Benefits**

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. 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.



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## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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

**Other Employee Future Benefits**

(i) Workplace Safety and Insurance Board Obligations

This 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, 2005, were \$135,032 (2004 - \$131,023) 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 this plan.

The accrued benefit obligations for employee future benefit plans as at August 31, 2005, are based on actuarial valuations for accounting purposes as at August 31, 2004. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

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	<b>2005</b>	2004
	%	%
Inflation	<b>1.5</b>	2.0
Wage and salary escalation	<b>2.5</b>	3.0
Insurance and health care cost escalation	<b>13.0</b>	15.0
Discount on accrued benefit obligations	<b>4.5</b>	5.5

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The Board has not designated reserves for certain of these employee future benefit obligations.

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## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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

(iii) Sick Leave Benefits

Regular full-time employees are allocated a certain number of days each year for use as paid absences due to illness or injury. Part-time employees are entitled to prorated days based on the proportion of part-time to full-time work.

Employees are allowed to accumulate their unused allocation each year, up to the allowable maximum provided in their employment agreements. Accumulated credits may be used in future years to the extent that the duration of the employee's illness or injury exceeds the current year as allocation of credits. Sick days credits are paid out at the salary in effect at the time of usage. The use of accumulated sick days for sick leave compensation ceases on termination of employment.

The accrued benefit obligations for employee sick leave benefits as at August 31, 2005, are based on actuarial valuations for accounting purposes as at August 31, 2004. The economic assumptions used in these valuations are the Board's best estimates outlined in Section (ii).

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**7. Amounts to be Recovered in Future Years**

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

	<u>2005</u>	<u>2004</u>
Amounts to be financed in future years		
Retirement and other employee future benefits liability (Note 6)	<b>\$ 4,109,798</b>	\$ 4,252,280
Sick leave	<b>1,512,065</b>	1,502,166
Capital financing	<b>3,915,877</b>	-
Vacation accrual	<b>144,437</b>	170,702
	<b><u>\$ 9,682,177</u></b>	<b><u>\$ 5,925,148</u></b>

## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

### 8. Debt Charges and Capital Loans and Leases Interest

The expenditure for debt charges, capital loans and capital leases interest includes principal, sinking fund contributions and interest payments as follows:

	2005	2004
Principal payments on long-term liabilities including contributions to sinking funds	\$ 84,123	\$ -
Interest payments on long-term liabilities	116,877	-
Interest payments on temporary financing of capital projects	27,096	48,497
	\$ 228,096	\$ 48,497

### 9. Expenditures by Object

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

	2004/05 Budget	2004/05 Actual	2003/04 Actual
<b>Current expenditures</b>			
Salary and wages	\$ 20,923,072	\$ 22,039,330	\$ 20,726,915
Employee benefits	3,836,259	3,468,837	3,333,111
Staff development	331,543	433,341	292,493
Supplies and services	3,419,408	3,547,734	3,176,501
Interest	501,000	143,973	48,497
Rental expenditures	161,000	140,432	170,738
Fees and contract services	2,802,288	3,156,956	3,020,733
Other	147,500	2,805,005	336,046
School funded activities	-	1,239,547	-
<b>Capital expenditures</b>	1,987,768	2,524,749	7,261,559
	\$ 34,109,838	\$ 39,499,904	\$ 38,366,593

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## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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### **10. Board Performs Duties of a Municipal Council**

The Board performs the duties of levying and collecting taxes, conducting elections of members, etc. in territory without municipal organization. The outlay by the Board in 2004-05 in respect of performing duties of municipal council is reported by area in a separate statement.

Certain costs are recoverable through a levy on all rateable property in the area and other approved costs are recoverable through an offset to the local taxation revenue.

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### **11. Ontario School Board Insurance Exchange (OSBIE)**

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

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### **12. Subsequent Event**

Subsequent to the auditors' report but prior to the release of the consolidated financial statements, proper accounting for school generated funds was completed on December 20, 2005.

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## The Rainy River District School Board Notes to Financial Statements

**August 31, 2005**

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### 13. Contractual Obligations and Contingent Liabilities

(a) Contracts for the construction of new buildings

The Board was involved in the construction of J.W. Walker Project. The cost of the project was estimated at \$5,500,000. Funding is through a bank term loan of \$4,000,000 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-copying equipment, telephone equipment and other equipment by ways of leasing through a bank or a supplier.

(d) 55 School Board Trust

In 2003, 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.

## The Rainy River District School Board Schedule of Operating Fund

<b>For the year ended August 31</b>	<b>2005 Budget</b>	<b>2005 Actual</b>	<b>2004 Actual</b>
<b>Revenues</b>			
Local taxation	\$ 5,661,078	\$ 5,635,904	\$ 5,479,552
Provincial legislative grants	25,171,459	25,739,565	24,786,482
Provincial grants - other	-	583,982	292,247
Federal grants and fees	3,027,301	3,360,167	3,375,227
Other revenues - school boards	-	481,000	427,397
Other fees and revenues	100,000	2,552,505	812,211
Investment income	-	22,914	13,407
<b>Total revenues</b>	<b>33,959,838</b>	<b>38,376,037</b>	<b>35,186,523</b>
<b>Expenditures</b>			
Instruction	23,775,884	24,940,019	23,009,522
Administration	1,886,647	1,634,957	1,562,751
Transportation	2,414,309	2,729,462	2,602,007
School operations and maintenance	3,544,230	3,746,147	3,600,606
Pupil accommodation	501,000	143,973	48,497
Other	-	2,541,050	281,651
<b>Total expenditures</b>	<b>32,122,070</b>	<b>35,735,608</b>	<b>31,105,034</b>
<b>Net revenues</b>	<b>1,837,768</b>	<b>2,640,429</b>	<b>4,081,489</b>
Increase (decrease) in prepaid expenses	-	(33,111)	18,542
<b>Increase (decrease) in non-financial assets</b>	<b>-</b>	<b>(33,111)</b>	<b>18,542</b>
Debt principal repayments	-	(84,123)	-
Increase (decrease) in unfunded liabilities	-	(158,848)	229,744
<b>Change in amounts to be recovered</b>	<b>-</b>	<b>(242,971)</b>	<b>229,744</b>
<b>Net transfers to other funds</b>			
Transfers to capital fund	(1,987,768)	(1,483,408)	(3,261,559)
Transfer to reserve fund	150,000	(880,939)	(1,068,216)
<b>Net transfers to other funds</b>	<b>(1,837,768)</b>	<b>(2,364,347)</b>	<b>(4,329,775)</b>
<b>Change in operating fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Opening balance - operating fund</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Closing balance - operating fund</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

## The Rainy River District School Board Schedule of Capital Fund

<b>For the year ended August 31</b>	<b>2005 Budget</b>	<b>2005 Actual</b>	<b>2004 Actual</b>
<b>Revenues</b>			
Federal grants	\$ -	\$ -	\$ -
Education development charges	-	-	-
Other revenues	-	-	-
Investment income	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital expenditures</b>			
Instruction	542,100	884,845	779,746
Administration	23,000	48,307	110,763
Transportation	-	4,555	4,350
School operations and maintenance	21,000	218,343	289,580
Pupil accommodation	414,054	1,368,699	4,694,534
Other	987,614	-	1,382,586
<b>Total capital expenditures</b>	<b>1,987,768</b>	<b>2,524,749</b>	<b>7,261,559</b>
<b>Net revenues (expenditures)</b>	<b>(1,987,768)</b>	<b>(2,524,749)</b>	<b>(7,261,559)</b>
<b>Long-term financing</b>	<b>-</b>	<b>4,000,000</b>	<b>-</b>
<b>Net transfers from other funds</b>			
Transfer from operating fund	1,987,768	1,483,408	3,261,559
<b>Net transfers from other funds</b>	<b>1,987,768</b>	<b>5,483,408</b>	<b>3,261,559</b>
<b>Change in capital fund balance</b>	<b>-</b>	<b>2,958,659</b>	<b>(4,000,000)</b>
<b>Opening balance, capital fund</b>	<b>-</b>	<b>(4,000,000)</b>	<b>-</b>
<b>Closing balance, capital fund</b>	<b>\$ -</b>	<b>\$ (1,041,341)</b>	<b>\$ (4,000,000)</b>

**The Rainy River District School Board  
Schedule of Reserve Funds**

**For the year ended August 31**

**2005  
Budget      2005  
Actual      2004  
Actual**

	Reserve for Working Funds	Reserve for Computers	Reserve for Professional Development	Liberty Health Reserve	Capital Reserve	<b>Total</b>	<b>Total</b>	Total
<b>Balance</b> , beginning of year	\$ 1,623,467	\$ 100,000	\$ 15,653	\$ 343,330	\$ 582,542	<b>\$ 2,664,992</b>	<b>\$ 2,664,992</b>	\$ 1,295,325
Transfer to the reserve fund	566,532	120,000	16,000	7,610	929,600	-	<b>1,639,742</b>	1,463,371
Earnings on reserve fund investments	9,771	602	94	-	-	-	<b>10,467</b>	-
Transfer from the reserve fund	(670,000)	(75,000)	(13,803)	-	-	<b>(150,000)</b>	<b>(758,803)</b>	(93,704)
<b>Balance</b> , end of year	<b>\$ 1,529,770</b>	<b>\$ 145,602</b>	<b>\$ 17,944</b>	<b>\$ 350,940</b>	<b>\$ 1,512,142</b>	<b>\$ 2,514,992</b>	<b>\$ 3,556,398</b>	<b>\$ 2,664,992</b>