

B.4 Director's Report To The Board

Date: 2002 01 29

Subject: **Audited Financial Statements for the Period September 1, 2000 to August 31, 2001**

4.1.0 Information

4.1.1 Our auditors, BDO Dunwoody Chartered Accountants, have completed their audit work and have provided a clear opinion on the financial statements of the Board for the year ended August 31, 2001 (Attachment B.4 #1). Staff will be outlining highlights from the statements and will be prepared to respond to questions trustees may have.

4.1.2 The year ended August 31, 2001 saw a drawdown of reserves for operating and capital purposes. The Schedule of Reserve Fund Continuity on Page 6 provides opening balances, a summary of the year's transactions and closing balances of the individual reserve funds. An exhibit that provides actual and projected reserve balances in accordance with financial statement groupings is attached for your information as Attachment B.4 #2.

4.2.0 Recommendation

4.2.1 It is recommended that the Board receive the audited financial statements for the year ended August 31, 2001 (Attachment B.4 #1).

4.3.0 Proposed Resolution

4.3.1 That the Board receive the audited financial statements for the year ended August 31, 2001 (Attachment B.4 #1).

Algoma District School Board
Financial Statements
For the year ended August 31, 2001

Contents

Auditors' Report	2
Financial Statements	
Balance Sheet	3
Revenue Fund Statement of Operations	4
Capital Fund Statement of Operations	5
Reserve Funds Statement of Continuity	6
Statement of Outlay for Performing Duties of a Municipal Council in Territory Without Municipal Organization	7
Summary of Significant Accounting Policies	8
Notes to Financial Statements	10



BDO Dunwoody LLP
Chartered Accountants
and Consultants

747 Queen Street East
P.O. Box 1109
Sault Ste. Marie Ontario Canada P6A 5N7
Telephone: (705) 945-0990
Toll Free: 1-800-520-3005
Telefax: (705) 942-7979

Auditors' Report

**To the Members of
Algoma District School Board**

We have audited the balance sheet of Algoma District School Board as at August 31, 2001 and the revenue fund statement of operations, the capital fund statement of operations, the reserve funds statement of continuity and the statement of outlay for performing duties of a municipal council in territory without municipal organization 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, 2001 and the results of its operations for the year then ended in accordance with the accounting principles disclosed in the summary of significant accounting policies to the financial statements.

Chartered Accountants and Consultants

December 21, 2001

**Algoma District School Board
Balance Sheet**

August 31	2001	2000
Assets		
Current		
Cash and investments	\$ 1,504,588	\$ 427,126
Accounts receivable		
Local government	8,144,710	6,549,855
Other	4,866,221	9,343,733
Prepaid expenses	69,535	338,125
	14,585,054	16,658,839
Capital outlay permanently financed	43,157	64,295
	\$ 14,628,211	\$ 16,723,134

Liabilities

Current		
Bank indebtedness	\$ 242,687	\$ -
Accounts payable and accrued liabilities	3,829,431	3,927,049
	4,072,118	3,927,049
Net long term liabilities (Note 2)	43,386	64,524
Reserves	10,511,191	12,730,045
Unexpended capital funds	1,516	1,516
	\$ 14,628,211	\$ 16,723,134

On behalf of the Board:

_____ Chair of the Board

_____ Director of Education

Algoma District School Board Revenue Fund Statement of Operations

For the year ended August 31	2001	2000
Expenditure		
Classroom	\$ 65,867,758	\$ 65,960,222
Non-classroom	18,085,216	17,089,200
Administration	4,042,395	3,799,167
Pupil transportation	7,124,624	6,940,948
Pupil accommodation	17,482,991	14,704,451
Other non-operating expenditure (excluding transfers to reserves)	1,609,768	1,649,880
	114,212,752	110,143,868
Recovery of expenditure		
School boards - other	473,718	314,488
Government of Ontario - other	2,370,939	2,790,384
Government of Canada	3,333,117	3,206,321
Individuals - tuition fees	27,957	17,318
Other revenue (excluding transfers from reserves)	1,308,398	2,952,186
	7,514,129	9,280,697
Net expenditure	\$ 106,698,623	\$ 100,863,171
Financing of net expenditure		
Legislative Grants	\$ 73,394,064	\$ 77,085,955
Local taxes	30,767,602	29,059,757
Net (increase) decrease in reserves	2,536,957	(5,282,541)
	33,304,559	23,777,216
Total financing	\$ 106,698,623	\$ 100,863,171

Algoma District School Board
Capital Fund Statement of Operations

For the year ended August 31	2001	2000
Capital expenditure		
Capital assets		
School renewal	\$ 3,704,958	\$ 1,831,332
New pupil places	-	127,494
Non-instructional capital	50,731	95,205
Instructional computers	703,168	750,249
Personalized special education equipment	51,086	185,250
Other capital expenditure	630,183	556,471
Total capital expenditure	\$ 5,140,126	\$ 3,546,001
 Capital financing		
Unexpended funds at beginning of year or (balance at beginning of year not permanently financed)	\$ 1,516	\$ (180,327)
Capital expenditure financed from revenue fund	5,140,126	3,727,844
Unexpended funds at end of year	(1,516)	(1,516)
	\$ 5,140,126	\$ 3,546,001

Algoma District School Board
Reserve Funds Statement of Continuity

For the year ended August 31, 2001

	Balance, September 1, 2000	Transfer to (from) Reserve	Earnings on Reserve Fund Investments	Balance, August 31, 2001
Reserves set aside by Ministry requirements				
Ministry equity	\$ 292,255	\$ (305,220)	\$ 12,965	\$ -
Board equity	251,019	(262,155)	11,136	-
Pupil accommodation	748,341	(782,935)	34,594	-
Reserve for classroom	-	2,358,551	83,364	2,441,915
	1,291,615	1,008,241	142,059	2,441,915
Reserves set aside for specific purpose by the Board				
Working funds	7,506,012	(3,579,552)	-	3,926,460
Working funds to be applied to following year	409,882	417,681	-	827,563
Retirement and service gratuities	2,711,026	(371,706)	129,275	2,468,595
Other capital	433,074	(3,543)	27,393	456,924
Other	378,436	(8,078)	19,376	389,734
	11,438,430	(3,545,198)	176,044	8,069,276
Total	\$ 12,730,045	\$ (2,536,957)	\$ 318,103	\$ 10,511,191

**Algoma District School Board
Statement of Outlay for Performing Duties of a Municipal
Council in Territory Without Municipal Organization**

For the year ended August 31	2001	2000
Name of area	Net expenditures of recreation committees	
Unorganized areas	\$ 47,530	\$ 46,542

Algoma District School Board

Summary of Significant Accounting Policies

August 31, 2001

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 basis of accounting with the following exceptions:
- (i) No provision is made for interest on unmatured debenture debt from the date of payment to the year end.
 - (ii) No provision has been made to record the liability for employee future benefits (see note 1).
 - (iii) The education portion of municipal supplementary taxes and tax write-offs has not been accrued for the calendar year 2001.
 - (iv) Vacation pay is recorded as a salary expense when it is paid.
 - (v) 2000 municipal taxes have been used to estimate 2001 municipal taxes.
- b) Capital Assets** Capital assets are 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 the 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) Trust Funds** Trust funds for scholarships and their related operations administered by the Board are not consolidated in these financial statements and are not subject to audit.

Algoma District School Board Summary of Significant Accounting Policies

August 31, 2001

- f) **Legislative Grants** Legislative grant calculations are prepared by the Board annually and submitted to the Ministry of Education for final approval. Adjustments, if any, are recorded in the year in which they are made.
- g) **Use of Estimates** The preparation of financial statements in conformity with 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.
- h) **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 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 about the financial instruments.

Algoma District School Board
Notes to Financial Statements

August 31, 2001

1. Retirement gratuities plan

Under the retirement gratuities plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Board's employment. The expenditure incurred in the year ended August 31, 2001 amounted to \$2,202,798 (2000 - \$2,210,779). These accumulated days, as estimated by management, at August 31, 2001, to the extent that they could be used to determine the cash payment to an employee on termination, amount to \$14,406,907.

The Board has established a reserve fund for retirement gratuities, the balance of which is \$1,997,635 at August 31, 2001.

Notwithstanding the use of reserve funds, recognition for Legislative Grant purposes continues to be made in respect of the actual amounts paid to employees.

2. Net long term liabilities

Of the net long term liabilities outstanding of \$43,386 principal and interest is payable over the next two years as follows:

	Principal	Interest	Total
2002	\$ 22,667	\$ 2,321	\$ 24,988
2003	20,719	687	21,406
	\$ 43,386	\$ 3,008	\$ 46,394

3. Areas of jurisdiction without municipal organization

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 2000-2001 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 costs (approved) are recoverable through an offset to the local taxation revenue.

4. Debt charges and capital loan interest

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

	2001	2000
Principal	\$ 21,139	\$ 19,699
Interest	3,845	5,284
	\$ 24,984	\$ 24,983

Algoma District School Board
Notes to Financial Statements

August 31, 2001

5. Ontario school board insurance exchange

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.

6. Pension plan cost

All non-teaching employees of the school board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer pension plan with final average pay contributory provision.

No employer contributions were made to the plan during the year due to a contribution holiday which continues until at least July 1, 2002.

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

7. Public Sector Salary Disclosure Act

For 2001, the following employees were paid a salary, as defined in the Public Sector Salary Disclosure Act, 1996 of \$100,000 or more:

<u>Name</u>	<u>Salary Paid</u>	<u>Taxable Benefits</u>
Ray Derosario	\$ 135,634	\$ 8,642
Bert Campbell	\$ 113,029	\$ 4,948
Mario Turco	\$ 113,029	\$ 4,948
Carole McPhee	\$ 113,029	\$ 4,948
Diane Bode	\$ 113,029	\$ 4,885

8. First Nations' tuition fees

Tuition Fee Revenue for education services provided to First Nations' students for the year are as follows:

	2001
Chapleau Cree First Nation	\$ 94,790
Nippissing First Nation (Indian Affairs - Sudbury)	94,873
Serpent River First Nation	334,404
Thessalon First Nation	262,818
Mississauga First Nation	495,809
Wiwemikong First Nation	18,165
Brunswick House First Nation	66,077
Whitefish River First Nation	6,179
Michipicoten First Nation	112,133
Garden River First Nation	1,022,623
Batchewana First Nation	696,483
	<hr/>
	\$ 3,204,354

**ALGOMA DISTRICT SCHOOL BOARD
COMPARISON OF RESERVE FUND BALANCES
PROJECTED VERSUS ACTUAL - YEAR ENDED 2001 08 31**

	Description	Actual Balance 2000 08 31 (per audited F/S's)	Projected Balance 2001 08 31 (June 12, 2001 Board extn)	Actual Balance 2001 08 31 (per audited F/S's)
1	Ministry Required Reserves			
2	Ministry Equity	292,255	0	0
3	Board Equity	251,019	0	0
4	Pupil Accommodation	748,341	592,828	0
5	Reserve for classroom	0	0	2,441,915
6	Subtotal	1,291,615	592,828	2,441,915
7				
8	Reserves set aside by Board			
9	Working Funds	7,506,012	6,477,772	3,926,460
10	Working funds to be applied to following year	409,882	0	827,563
11	Retirement and service gratuities	2,711,026	2,346,026	2,468,595
12	Other capital	433,074	0	456,924
13	Other	378,436	101,387	389,734
14	Subtotal	11,438,430	8,925,185	8,069,276
15				
16	Total	12,730,045	9,518,013	10,511,191