



**B. 5(a) Director's Report To The Board**

**Date: 2003 01 28**

**Subject: AUDITED FINANCIAL STATEMENTS FOR THE PERIOD SEPT.1/2001 TO AUG. 31/2002**

**5(a).1.0 Information**

**5(a).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, 2002 (Attachment B. 5(a) #1). Staff will be outlining highlights from the statements and will be prepared to respond to questions trustees may have.

**5(a).1.2** The year ended August 31, 2002 saw a drawdown of reserves for operating 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 analysis of reserve fund balances is attached (Attachment B. 5(a) #2).

**5(a).2.0 Recommendation**

**5(a).2.1** It is recommended that the Board receive the audited financial statements for the year ended August 31, 2002 (Attachment B. 5(a) #1).

**5(a).3.0 Proposed Resolution**

**5(a).3.1** That the Board receive the audited financial statements for the year ended August 31, 2002 (Attachment B.7(a) #1).

**Algoma District School Board**  
**Financial Statements**  
For the year ended August 31, 2002

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**IBDO**



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## Auditors' Report

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

We have audited the balance sheet of Algoma District School Board as at August 31, 2002 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, 2002 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

Sault Ste. Marie  
November 21, 2002

**Algoma District School Board  
Balance Sheet**

**August 31** 2002 2001

**Assets**

**Current**

Cash and investments	\$ 4,672	\$ 1,504,588
Accounts receivable		
Local government	7,812,702	8,144,710
Other	10,332,396	4,866,221
Prepaid expenses	79,074	69,535
Other current assets	18,396	-

18,247,240      14,585,054

**Capital outlay permanently financed** - 43,157

\$ 18,247,240      \$ 14,628,211

**Liabilities**

**Current**

Bank indebtedness (Note 4)	\$ 5,098,040	\$ 242,687
Accounts payable and accrued liabilities	5,958,167	3,829,431

11,056,207      4,072,118

**Net long term liabilities** - 43,386

**Reserves** 7,189,517 10,511,191

**Unexpended capital funds** 1,516 1,516

\$ 18,247,240      \$ 14,628,211

On behalf of the Board:

\_\_\_\_\_ Chair of the Board

\_\_\_\_\_ Director of Education

**Algoma District School Board  
Revenue Fund Statement of Operations**

<b>For the year ended August 31</b>	<b>2002</b>	<b>2001</b>
<b>Expenditure</b>		
Classroom	\$ 67,113,321	\$ 65,867,758
Non-classroom	18,377,793	18,085,216
Administration	4,258,341	4,042,395
Pupil transportation	7,132,713	7,124,624
Pupil accommodation	16,400,868	17,482,991
Other non-operating expenditure (excluding transfers to reserves)	999,682	1,609,768
	<b>114,282,718</b>	<b>114,212,752</b>
<b>Recovery of expenditure</b>		
School boards - other	499,407	473,718
Government of Ontario - other	1,968,187	2,370,939
Government of Canada	3,481,601	3,333,117
Individuals - tuition fees	10,186	27,957
Other revenue (excluding transfers from reserves)	1,187,939	1,308,398
	<b>7,147,320</b>	<b>7,514,129</b>
<b>Net expenditure</b>	<b>\$ 107,135,398</b>	<b>\$ 106,698,623</b>
<b>Financing of net expenditure</b>		
Legislative Grants	\$ 79,468,134	\$ 73,394,064
Local taxes	24,244,202	30,767,602
Net decrease in reserves	3,423,062	2,536,957
	<b>27,667,264</b>	<b>33,304,559</b>
<b>Total financing</b>	<b>\$ 107,135,398</b>	<b>\$ 106,698,623</b>

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**Algoma District School Board**  
**Capital Fund Statement of Operations**

For the year ended August 31

2002

2001

**Capital expenditure**

**Capital assets**

School renewal	\$ 1,872,974	\$ 3,704,958
Non-instructional capital	85,033	51,086
Instructional computers	236,323	703,168
Other capital expenditure	563,346	680,914

**Total capital expenditure**

**\$ 2,757,676    \$ 5,140,126**

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**Capital financing**

Unexpended funds at beginning of year or (balance at beginning of year not permanently financed)	\$ 1,516	\$ 1,516
Capital expenditure financed from revenue fund	2,757,676	5,140,126
Unexpended funds at end of year	(1,516)	(1,516)

**\$ 2,757,676    \$ 5,140,126**

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**Algoma District School Board**  
**Reserve Funds Statement of Continuity**

For the year ended August 31, 2002

	Balance, September 1, 2001	Transfer to (from) Reserve	Earnings on Reserve Fund Investments	Balance, August 31, 2002
<b>Reserves set aside by Ministry requirements</b>				
Reserve for classroom	\$ 2,441,915	\$ (2,078,210)	\$ 33,879	\$ 397,584
<b>Working funds</b>	3,926,460	(207,614)	-	3,718,846
Working funds to be applied to following year	827,563	(72,360)	-	755,203
Retirement and service gratuities	2,468,595	(1,033,000)	47,202	1,482,797
Other capital	456,924	(22,778)	10,985	445,131
Other	389,734	(9,100)	9,322	389,956
	8,069,276	(1,344,852)	67,509	6,791,933
<b>Total</b>	<b>\$ 10,511,191</b>	<b>\$ (3,423,062)</b>	<b>\$ 101,388</b>	<b>\$ 7,189,517</b>

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

<b>For the year ended August 31</b>	<b>2002</b>	<b>2001</b>
<b>Name of area</b>	<b>Net expenditures of recreation committees</b>	
<b>Unorganized areas</b>	<b>\$ 47,229</b>	<b>\$ 47,530</b>

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## Algoma District School Board Summary of Significant Accounting Policies

**August 31, 2002**

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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 2002.
  - (iv) Vacation pay is recorded as a salary expense when it is paid.
  - (v) 2001 municipal taxes have been used to estimate 2002 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.

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## Algoma District School Board Summary of Significant Accounting Policies

August 31, 2002

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- 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. 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, 2002**

**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, 2002 amounted to \$2,093,143 (2001 - \$2,202,798). These accumulated days, as estimated by management, at August 31, 2002, to the extent that they could be used to determine the cash payment to an employee on termination, amount to \$12,857,057.

The Board has established a reserve fund for retirement gratuities, the balance of which is \$1,482,797 at August 31, 2002.

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. 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 2001-2002 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.

**3. Debt charges and capital loan interest**

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

	2002	2001
Principal	\$ 43,386	\$ 21,139
Interest	340	3,845
	\$ 43,726	\$ 24,984

**4. Bank indebtedness**

	2002	2001
Bank overdraft	\$ 882,040	\$ 242,687
Operating loan	4,216,000	-
	\$ 5,098,040	\$ 242,687

The bank overdraft and the operating loans are due on demand and bear interest at the bank's prime rate less 1/4%. They are secured by a Borrowing By-Law Resolution. At August 31, 2002, the Board had undrawn credit capacity under this facility of approximately \$6,901,960.

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## Algoma District School Board Notes to Financial Statements

August 31, 2002

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### 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.

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### 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 December 31, 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.

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### 7. First Nations' tuition fees

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

	2002
Chapleau Cree First Nation	\$ 80,266
Nippissing First Nation (Indian Affairs - Sudbury)	39,281
Serpent River First Nation	335,929
Thessalon First Nation	364,121
Mississauga First Nation	705,625
Wikwemikong First Nation	227
Brunswick House First Nation	45,852
Whitefish River First Nation	6,211
Michipicoten First Nation	120,941
Garden River First Nation	984,520
Batchewana First Nation	754,418
Shoal Lake	3,852
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	\$ 3,441,243

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### 8. Contingency

The Board is currently involved in litigation, the outcome of which cannot be determined at this time. Accordingly, no provision has been made for losses, if any, in these financial statements. However, should any loss result, such loss would be accounted for in the period in which it occurs.

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**Algoma District School Board  
Notes to Financial Statements**

**August 31, 2002**

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**9. Commitments**

The company has entered into operating leases for its classroom computers.

The minimum annual lease payments for the next three years are as follows:

Year	Amount
2003	\$ 1,121,642
2004	722,962
2005	295,393

## ANALYSIS OF RESERVE FUND BALANCES

Reserve Name (1)	Balance At Aug. 31/01 (2)	Accrued Interest (3)	Allocations 2001-2002 (4)	Balance At Aug. 31/02 (5)
<u>Classroom Reserves</u>				
Classroom Expenditures	2,441,915	33,879	-2,078,210	397,584
<u>Capital Reserves</u>				
General Capital	248,996	6,026	0	255,022
Pupil Accommodation			903	903
Repairs & Maintenance	276,612	6,694	0	283,306
Special Ed Improved Access	207,928	4,959	-23,681	189,206
Sub-total	733,536	17,679	-22,778	728,437
<u>Retirement Payments</u>				
Retirement Gratuities	1,997,634	35,804	-1,033,000	1,000,438
Retirement Gratuities-Staff Transfers	370,151	8,958		379,109
Service Gratuities	100,809	2,440		103,249
Sub-total	2,468,594	47,202	-1,033,000	1,482,796
Computers	98,500	2,274	-9,100	91,674
<u>Misc. Reserves</u>				
Plant Vehicle Replacement	3,723	90		3,813
Health Benefits	10,899	264		11,163
Sub-total	14,622	354	0	14,976
Reserve For Working Funds	3,926,460	0	-207,614	3,718,846
Carry Over	827,562		-72,360	755,202
Total Reserve Funds	10,511,189	101,388	-3,423,062	7,189,515

**3.5(b) Director's Report To The Board**

**Date:** 2003 01 28

**Subject:** Budget 2002/2003 - Update

**5(b).2.3** It is recommended that the Board approve a reduction in the transfer from the Reserve for Working Funds from \$2,378,164 to \$1,663,869 for over-expenditure in other than classroom categories for the 2002-2003 budget year.

**5(b).2.4** It is recommended that the Board approve a revised allocation of the Ministry Flexibility Grant to the expenditure categories from an amount of \$3,198,802 to \$3,686,500.

**5(b).2.5** It is recommended that the Board approve the allocation to the Reserve for Special Education Funds in the amount of \$1,265,185.

**5(b).3.0** Resolution

**5(b).3.1** That the Board approve an updated budget for expenditures and revenue, including transfers from reserves but excluding carryover for the 2002-2003 budget year from \$113,643,211 to \$116,614,386

**5(b).3.2** That the Board approve a reduction in the transfer from the Classroom Reserve Fund from \$870,113 to \$402,325 to fund the classroom over expenditure for the 2002-2003 budget year.

**5(b).3.3** That the Board approve a reduction in the transfer from the Reserve for Working Funds from \$2,378,164 to \$1,663,869 for over-expenditure in other than classroom categories for the 2002-2003 budget year.

**5(b).3.4** That the Board approve a revised allocation of the Ministry Flexibility Grant to the expenditure categories from an amount of \$3,198,802 to \$3,686,500.

**5(b).3.5** That the Board approve the allocation to the Reserve for Special Education Funds in the amount of \$1,265,185.