

SUPERIOR GREENSTONE DISTRICT SCHOOL BOARD

Notes to the Financial Statements

August 31, 2003

1. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by the Board in accordance with section 252 of the Education Act of Ontario using accounting policies prescribed by the Ministry of Education of Ontario, and considered appropriate for Ontario school boards. These policies are consistent with those used in prior years. The basis of accounting used in these financial statements differs materially (as disclosed in paragraphs (a) to (e) below) from Canadian generally accepted accounting principles (“GAAP”) as established for School Boards by the Public Sector Accounting Board (“PSAB”) of the Canadian Institute of Chartered Accountants.

(a) Accrual Accounting

Revenue and expenditure are accounted for on the accrual basis of accounting, with the following exceptions:

- (1) No provision has been made to record the liability for employee future benefits. (See Note 3)
- (2) No provision has been made for interest on unmatured debenture debt from the date of payment to the year-end. (See Note 5)
- (3) Vacation pay is recorded as a salary expense when it is paid. (See Note 4)
- (4) The education portion of municipal supplementary taxes and tax write-offs has not been accrued for the calendar year 2003.

(b) Capital Expenditures and Revenues

Capital asset acquisitions 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 paid. Capital expenditures permanently financed (“Capital outlay to be recovered in future years – permanently financed”) are included on the balance sheet as a long-term asset and are only recorded to the extent of the balance of the related net long-term liabilities outstanding. “Capital outlay to be recovered in future years – not permanently financed” is recorded separately on the balance sheet as a long-term asset until permanent financing has been arranged.

Proceeds of long-term liabilities issued are reported as “capital financing” on the capital fund statement of operations.

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1. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (continued)

- (c) Reserves and Reserve Funds

Non-Obligatory

Reserves and reserve funds represent funds appropriated for general and specific purposes and are charged or credited to revenue fund operations as “financing of net expenditures decrease (increase) in reserves” in the year appropriated or drawn down. Related appropriations for capital purposes are also reported as “capital expenditure financed from the revenue fund” on the capital fund statement of operations.

Obligatory (Externally Restricted)

Externally restricted funds received for specific purposes are recorded when received, as “other revenue” on the revenue fund statement of operations, and year-end balances are reported as “equity in reserve funds” until expended for the specified purpose. Related appropriations to/from reserve funds for operating/capital purposes are reported as “decreases (increases) in reserves” financing on the revenue fund statement of operations in the year appropriated. Related appropriations for capital purposes are also reported as “capital expenditures financed from the Revenue Fund” revenue on the capital fund statement of operations.

- (d) Legislative Grants

The legislative grants calculations are prepared annually by the school board and submitted to the Ministry of Education for final approval. Adjustments, if any, are recorded in the year in which they are made.

- (e) Inventory and Prepaid Expenses

Inventory and prepaid expenses are recorded as “financial assets” on the balance sheet instead of being reported as “non-financial assets”.

- (f) 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.

- (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

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periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

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1. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial Instruments

The balance sheet value for 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.

(i) Trust Funds

Trust funds and their related operations administered by the Board amounting to \$304,295 (2002 - \$323,457) are not consolidated, but are reported separately on Schedule 6 - 'Trust Funds Administered by the Board'.

2. ACCOUNTS RECEIVABLE - OTHER

The Accounts Receivable – Other balance includes tuition fees receivable from the First Nations as follows:

	Adjusted Balance at Aug. 31/02	Invoices	Payments	Balance at Aug. 31/03
Aroland First Nation	\$4,722	\$209,589	\$(212,337)	\$1,974
Biinjitiwaabik Zaaging Anishinaabek First Nation	148,247	147,924	(168,962)	127,209
Lac La Croix First Nation	0	5,283	(4,750)	533
Marten Falls First Nation	738	0	(738)	0
Northern Nishnawbe Education Authority	246	10,566	(10,436)	376
Pays Plat First Nation	0	47,547	(29,549)	17,998
Pic Mobert First Nation	158,713	314,338	(372,617)	100,434
Pic River First Nation	15,501	357,977	(360,728)	12,750
Red Rock First Nation	242,781	345,061	(433,426)	154,416
White Sands First Nation	738	0	(738)	0
	\$571,686	\$1,438,285	\$(1,594,281)	\$415,690

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3. EMPLOYEE FUTURE BENEFITS

(a) Retirement Gratuity

Under the Retirement Gratuity Plan, unused sick leave can accumulate and employees may become entitled to a cash payment if certain criteria are met when they retire from the Board.

These statements include a current year provision of \$319,462 (2002 - \$445,248), which relates to confirmed retirement gratuities payable in the subsequent fiscal year.

Current year's retirement gratuity paid under the plan amounted to \$412,625 (2002 - \$436,910).

The total estimated amount of the future benefit obligation at August 31, 2003, in respect of Retirement Gratuities, which was determined by an actuarial valuation using a discount rate of 5.5% (2002 – 5.5%) per annum, is \$3,421,999 (2002 - \$3,275,692). The Board has a reserve of \$2,502,444 (2002 - \$2,500,225) regarding this future Retirement Gratuity liability.

The actuarial valuation has been prepared using the projected accrued benefit cost method with pro-ration on service.

Accrued Benefit Obligation changes during fiscal year ended August 31, 2003 are as follows:

Accrued Benefit Obligation as at August 31, 2002	\$ 3,275,692
Service cost for one year	251,565
Interest on the Accrued Benefit Obligation	179,257
Benefit payments/contributions	<u>(284,515)</u>
Benefit Obligation as at August 31, 2003	<u>\$ 3,421,999</u>

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3. EMPLOYEE FUTURE BENEFITS (continued)

(b) Post employment benefits

The Board currently sponsors uninsured Health and Dental Plans for all of its permanent employees and pays 100% of the costs of the benefits provided. Claims administration services are provided by an insurer in accordance with an Administrative Services Only (ASO) Agreement.

As provided for under the six employment contracts that cover the employees of the Board, early retirees are allowed to continue their existing coverage under the Health and Dental Benefit plans until the age of 65. Retirees are required to pay 100% of the average cost of providing benefits to plan members in their employee group. The Board therefore assumes the full liability for the difference between the cost of the benefits for retirees and the premiums it receives from retired lives. This difference is considered the subsidy that the Board provides its employees with respect to the cost of post-retirement benefits.

The total estimated amount of the future benefit obligation at August 31, 2003 in respect of post retirement benefits using a discount rate of 5.5% (2002 - 5.5%) per annum is \$5,959,301 (2002 - \$5,283,919), which was determined by an actuarial valuation. The actuarial valuation has been prepared using the projected accrued benefit cost method with pro-ration on service.

Accrued Benefit Obligation changes during fiscal year ended August 31, 2003 are as follows:

Accrued Benefit Obligation as at August 31, 2002	\$ 5,283,919
Service cost for one year	514,396
Interest on the Accrued Benefit Obligation	300,913
Benefit payments/contributions	<u>(139,927)</u>
Benefit Obligation as at August 31, 2003	<u>\$ 5,959,301</u>

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3. EMPLOYEE FUTURE BENEFITS (continued)

(c) Long Term Disability Benefits

The board sponsors an uninsured Long Term Disability Plan, which provides employees who qualify for disability benefits with monthly payments equal to a fixed percentage of pre-disability income to a defined maximum for the period of disability to age 65.

The total estimated amount of the future benefit obligation at August 31, 2003 in respect of long-term disability benefits, which was determined by an actuarial valuation using a discount rate of 5.5% (2002 – 5.5%) per annum, is \$1,144,016 (2002 - \$1,252,246).

The actuarial valuation has been prepared using the projected accrued benefit cost method with pro-ration on service.

Accrued Benefit Obligation changes during fiscal year ended August 31, 2003 are as follows:

Accrued Benefit Obligation as at August 31, 2002	\$ 1,252,246
Service cost for one year	0
Interest on the Accrued Benefit Obligation	64,134
Benefit payments/contributions	<u>(172,364)</u>
Benefit Obligation as at August 31, 2003	<u>\$ 1,144,016</u>

4. VACATION PAY ACCRUAL

Unrecorded accrued vacation pay as at year-end amounted to \$184,941 (2002 – 159,286).

5. DEBENTURE INTEREST ACCRUAL

The amount of unaccrued interest on approved net long-term debt from the date of payment to the year-end is \$3,984 (2002 - \$6,046).

6. NET LONG TERM LIABILITIES

Future principal and interest payments on net long-term liabilities outstanding as at August 31, 2003 are as follows:

Debenture Debt

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003/04	<u>\$219,000</u>	<u>\$12,775</u>	<u>\$231,775</u>

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7. AREAS OF JURIDICTION WITHOUT MUNICIPAL ORGANIZATION

The Board performs the duties of levying and collecting taxes, conducting elections of members, etc. in territory without municipal organization. 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.

8. REVENUE FUND STATEMENT OF OPERATIONS

(a) 2002/03 Estimates

The 2002/03 estimates data shown on this schedule are the budget amounts as approved by the Board and which are submitted to the Ministry of Education. These amounts do not include the funding enhancements announced by the Ministry of Education in December 2003. The 2002/03 estimates have not been audited by the board's external auditor.

(b) Debt Charges and Capital Loan Interest

The expenditure for debt charges and capital loan interest reported in the Revenue Fund Statement of Operations includes principal and interest payments as follows:

	<u>2003</u>	<u>2002</u>
Principal payments on long-term liabilities	\$ 84,000	\$ 78,000
Interest payments on long-term liabilities	<u>25.594</u>	<u>32.746</u>
	<u>\$ 109,594</u>	<u>\$110,746</u>

9. OUTSTANDING CAPITAL COMMITMENTS

Included in Capital Outlay to be Recovered in Future Years is \$807,643. The Board is receiving additional 80 pupil places to fund this account over the next twenty-two years.

10. PENSION PLAN COSTS

All non-teaching employees of the school board are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS") that is a multi-employer defined benefit contributory plan. There were no employer contributions made to the plan during 2001/02 or the first four months of 2002/03 due to a contribution holiday that ended December 31, 2002. Contributions at a reduced rate were reinstated effective January 1, 2003. Payments made to OMERS subsequent to December 31, 2002 totalled \$61,934.

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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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11. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE

Effective June 30, 1987 the Board joined the Ontario School Board Insurance Exchange (OSBIE) for a five-year period. Subsequent agreements have been renewed with coverage extended to December 31, 2007. OSBIE, a reciprocal insurance company licensed under the Insurance Act, insures the Board for general public liability, property damage and certain other risks. The Board is also insured with OSBIE for automotive coverage.

12. SERVICE CONTRACT/CDSA APPROVAL WITH THE MINISTRY OF COMMUNITY AND SOCIAL SERVICES

The Board has a Service Contract/CDSA Approval with the Ministry of Community and Social Services. One requirement of the Service Contract/CDSA Approval is the production by Management of a report, APER, which shows a summary by service of all revenues and expenditures and any resulting surplus or deficit that relates to the Service Contract/CDSA Approval.

A review of this report shows the Teacher Diagnostician services to be in a deficit position as at August 31, 2003.

13. SALARY DISCLOSURE

As required under the Public Salary Disclosure Act 1996, the following employees of the Board were paid salaries and benefits in excess of \$100,000 during the 2002 calendar year:

Name	Salary	Benefits
Bruce Rousseau	\$102,997.92	\$570.28
Patti Pella	100,914.43	570.28
Heather Wilson-Boast	119,999.76	7,153.62

15. CONTINGENT LIABILITIES

The Board has been named as the defendant in certain legal actions, in which damages have been sought. The outcome of these actions is not determinable as at August 31, 2003 and accordingly, no provision has been made in these financial statements for any liability that may result. Any losses arising from these actions will be recorded in the year that the related litigation is settled.

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16. RECEIPTS FROM THE “55 SCHOOL BOARD TRUST”

On June 01, 2003, the Board received \$1,718,287 from the “55 School Board Trust” for specific capital expenditures eligible for provincial funding support pursuant to a 30-year agreement it entered with the trust. The “55 School Board Trust” was created to refinance the outstanding NPF (Not Permanently Financed) debt of participating boards who are beneficiaries of the trust. Since the Board had originally financed the eligible costs from its reserves the amount received from the “55 School Board Trust” has been transferred into the Capital Building Reserve. Under the terms of the agreement, the “55 School Board Trust” repaid the board in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the \$1,718,287 funding received is reported as “Other Capital Recoveries” on the Revenue Fund Statement of Operations. The amount was subsequently transferred to reserves and is included in “Decrease (increase) in Reserves in the Revenue Fund Statement of Operations and as Transfer to the Reserve Fund in the Reserve Fund Statement of Continuity.

17. RESERVES AND RESERVE FUNDS

The amounts in Reserves and Reserve Funds are approved by the Board, and are within the limits defined in the Education Act of Ontario and its regulations.