
NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2003 & 2002

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

OFFICERS

YEARS ENDED AUGUST 31

| | 2003 | 2002 |
|--|---|--|
| CHAIRPERSON OF BOARD | Colleen Landers | Jack Slattery |
| BOARD MEMBERS | Charlie Angus Peter Del Guidice Mary Dudgeon Paul Keating Elizabeth King Mary O'Connor Jack Slattery | Charlie Angus Peter Del Guidice Mary Dudgeon Paul Keating Elizabeth King Colleen Landers Mary O'Connor |
| SENIOR ADMINISTRATIVE PERSONNEL | | |
| Director of Education | Larry Yaguchi | Larry Yaguchi |
| Superintendent of Education | Paul Toffanello | Paul Toffanello |
| Manager of Financial Services | Luigina Malciw | Luigina Malciw |
| Manager of Human Resources | Michael Resetar | Yves Meloche |
| Manager of Plant | Robert Landry | Robert Landry |

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

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YEARS ENDED AUGUST 31, 2003 & 2002

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AUDITORS' REPORT

To the Trustees of the Northeastern Catholic District School Board

We have audited the Balance Sheet of the Northeastern Catholic District School Board as at August 31, 2003 and the Revenue Fund Statement of Operations, the Capital Fund Statement of Operations and the Reserves and Reserve Funds 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 and cash flows for the year then ended in accordance with the basis of accounting described in Note 2 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.

Kirkland Lake, Ontario
November 12, 2003

Ross, Pope & Company.

ROSS, POPE & COMPANY
CHARTERED ACCOUNTANTS

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

BALANCE SHEET

AS AT AUGUST 31

| | 2003 | 2002 |
|---|---------------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 2,501,797 | \$ 2,139,843 |
| Investments, at cost | 48,928 | 56,798 |
| Accounts receivable (Note 5) | 2,004,000 | 2,094,390 |
| Prepaid expenses | 56,141 | 78,800 |
| | 4,610,866 | 4,369,831 |
| CASH HELD FOR RESERVE FUNDS | 5,579,564 | 5,193,708 |
| CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS (Notes 2 and 8) | 4,400,000 | 4,640,000 |
| | \$14,590,430 | \$14,203,539 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (Note 6) | \$ 1,443,503 | \$ 1,155,736 |
| Other current liabilities | 120,906 | 167,638 |
| | 1,564,409 | 1,323,374 |
| NET LONG-TERM LIABILITIES (Notes 2, 8 and 11) | 4,400,000 | 4,640,000 |
| CONTINGENCIES & COMMITMENTS (Notes 7, 11, 14 and 15) | | |
| EQUITY IN RESERVE FUNDS (Note 2) | 5,579,564 | 5,193,708 |
| RESERVE FOR WORKING FUNDS (Note 2) | 3,046,457 | 3,046,457 |
| | \$14,590,430 | \$14,203,539 |

Signed on Behalf of the Board:

Chairperson_____
Director of Education

See accompanying notes.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

REVENUE FUND STATEMENT OF OPERATIONS

YEARS ENDED AUGUST 31

| | -----2003----- | | |
|--------------------------------------|-----------------------|---------------------|---------------------|
| | BUDGET (unaudited) | ACTUAL | 2002 ACTUAL |
| REVENUE | | | |
| Local taxation (Note 3) | \$ 6,561,874 | \$ 6,519,668 | \$ 6,588,391 |
| Legislative grants | 18,429,215 | 20,076,828 | 17,793,267 |
| Other provincial grants | 2,000 | 266,232 | 456,334 |
| Government of Canada | 235,927 | 243,458 | 228,374 |
| Other revenue (Note 9) | 74,980 | 114,216 | 123,841 |
| Transfer from reserves/reserve funds | 324,634 | 211,419 | 868,124 |
| TOTAL REVENUE | \$25,628,630 | \$27,431,821 | \$26,058,331 |
| EXPENSES (Schedule A) | | | |
| Classroom | \$14,652,920 | \$15,348,571 | \$13,515,236 |
| Non-classroom | 3,607,405 | 3,582,364 | 3,580,364 |
| Administration | 1,638,980 | 1,647,495 | 1,570,873 |
| Transportation | 2,452,132 | 2,521,964 | 3,478,192 |
| Pupil accommodation | 3,237,193 | 3,882,557 | 3,301,912 |
| Other | 25,000 | 1,605 | - |
| Transfers to reserves/reserve funds | 15,000 | 447,265 | 611,754 |
| TOTAL EXPENSES | \$25,628,630 | \$27,431,821 | \$26,058,331 |

See accompanying notes.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CAPITAL FUND STATEMENT OF OPERATIONS

YEARS ENDED AUGUST 31

| | 2003 | 2002 |
|---|---------------------|-------------------|
| CAPITAL EXPENSES | | |
| Capital Assets and Work in Progress | | |
| New pupil places | \$ - | \$ 2,854 |
| School renewal | 812,201 | 372,569 |
| Instructional computers | 324,301 | 96,626 |
| ISA equipment | 74,333 | 27,877 |
| Other capital expenses | 236,303 | 242,100 |
| TOTAL CAPITAL EXPENSES | \$ 1,447,138 | \$ 742,026 |
| CAPITAL FINANCING | | |
| Capital expenses financed from revenue fund | \$ 1,447,138 | \$ 742,026 |
| TOTAL CAPITAL FINANCING | \$ 1,447,138 | \$ 742,026 |

See accompanying notes.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

RESERVES AND RESERVE FUNDS STATEMENT OF CONTINUITY

YEARS ENDED AUGUST 31

| | Reserve For Working Funds | Classroom Reserve Fund | Proceeds of Disposition Reserve Fund | Transition Reserve Fund | Sick Leave Reserve Fund | Special Education Reserve Fund | Capital Reserve Fund | WSIB Reserve Fund | Bursaries Reserve Fund | -----Total----- | |
|-------------------------------|------------------------------------|------------------------------|---|-------------------------------|-------------------------------|---|----------------------------|-------------------------|------------------------------|-----------------|--------------|
| | | | | | | | | | | 2003 | 2002 |
| Balance, beginning of year | \$ 3,046,457 | \$ 2,810,939 | \$ 1,448,739 | \$ 400,033 | \$ 246,059 | \$ 192,161 | \$ 63,259 | \$ 29,978 | \$ 2,540 | \$ 8,240,165 | \$ 8,393,618 |
| Transfer from revenue fund | - | - | - | - | - | 388,503 | - | 58,762 | - | 447,265 | 611,754 |
| Interest earned | - | 78,975 | 43,101 | 12,163 | 7,320 | 5,717 | 1,882 | 776 | 76 | 150,010 | 102,917 |
| Transfer to revenue fund | - | - | (211,419) | - | - | - | - | - | - | (211,419) | (868,124) |
| Balance, end of year | \$ 3,046,457 | \$ 2,889,914 | \$ 1,280,421 | \$ 412,196 | \$ 253,379 | \$ 586,381 | \$ 65,141 | \$ 89,516 | \$ 2,616 | \$ 8,626,021 | \$ 8,240,165 |

See accompanying notes.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2003 & 2002

1. NATURE OF OPERATIONS

The Northeastern Catholic District School Board is an English Catholic school board formed in January 1998 from the English Language sections of four separate school boards. The School Board, which covers an area from Cobalt to Kapuskasing, Ontario, has one secondary and twelve elementary schools under its jurisdiction.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by the School Board in accordance with Section 252 of the Education Act, using accounting principles prescribed by the Ministry of Education and 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 (d) below:

(a) ACCRUAL ACCOUNTING

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

- (i) No provision has been made to record the liability for employee future benefits (see Note 7);
- (ii) No provision has been made for interest on unmatured debenture debt from the date of payment to the year-end (see Note 11);
- (iii) Vacation pay is recorded as a salary expense when it is paid (see Note 15); and
- (iv) The education portion of municipal supplementary taxes and tax write-offs has not been accrued for the calendar year 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 expenses 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 expenses of any year and the amounts received to finance these expenses is carried forward to the following year to either increase or reduce the net revenue requirement.

(e) 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.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED AUGUST 31, 2003 & 2002

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 expenses 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, accounts receivable, 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.

3. TAXATION REVENUE

In accordance with Ministry of Education requirements, taxation revenue is based on 38% of taxation revenue from municipalities for the calendar year 2002, 62% of taxation revenue from municipalities for the calendar year 2003 and 100% of the education portion of municipal supplementary taxes and tax write-offs for the calendar year 2002. In most cases, the calculations are based on information provided to the Board by the various municipalities. Not all municipalities, however, have provided the School Board with the tax information required. In those instances, the taxation revenue has been estimated.

Due to the fact that actual taxation revenue may vary from the estimates, adjustments may be required in the future. Any adjustments will be reflected in the year in which the municipalities advise as to the final taxation amounts. These adjustments will affect the Legislative Grant in future years as the Grant is calculated as the difference between total allocations as per the Grant calculation provided by the Ministry and the estimated taxation revenue. In the fiscal year 2002/2003, an amount of \$380,924 (2002 - \$224,056) has reduced the amount reported as taxation revenue which relates to prior years. A corresponding amount has been reported in accounts receivable as due from the Government of Ontario.

4. SCHOOL LEAVE PROGRAM

Under the school leave program, teachers have the opportunity to be paid 80% of their salaries over four years. The remaining 20% is accumulated in a bank account to cover 80% of their salaries in the fifth year when they take a year leave of absence. The cash, investments and related liability have been included with cash, investments, and accounts payable and accrued liabilities on the balance sheet. Cash and investments amount to \$57,978 as at August 31, 2003 (2002 - \$56,847). Subsequent to year-end, the investments were redeemed as the teacher has commenced his year leave of absence.

5. ACCOUNTS RECEIVABLE

| | 2003 | 2002 |
|-----------------------|---------------------|---------------------|
| Municipalities | \$ 1,383,379 | \$ 1,457,497 |
| Government of Ontario | 318,259 | 316,897 |
| Government of Canada | 191,697 | 174,710 |
| Other school boards | 7,465 | 55,198 |
| Other | 103,200 | 90,088 |
| | \$ 2,004,000 | \$ 2,094,390 |

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED AUGUST 31, 2003 & 2002

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2003 | 2002 |
|--|---------------------|---------------------|
| Trade payables and accrued liabilities | \$ 943,911 | \$ 777,304 |
| Other school boards | 499,592 | 378,432 |
| | \$ 1,443,503 | \$ 1,155,736 |

7. EMPLOYEE FUTURE BENEFITS

- (a) The Board provides the following future employee benefits to its employees:
- (i) Retirement or severance gratuity benefit based on years of service, sick leave balance and salary at time of retirement under grandfathered arrangements or individual employee contracts;
 - (ii) In lieu of retirement gratuities, the Board implemented an endowment plan which provides a lump sum payment to active employees after 5 years of service; and
 - (iii) Subsidized post-retirement health, dental and life insurance benefits to senior officials, principals and vice-principals and certain grandfathered employees.

During the year, the Board engaged the services of an actuary to determine estimates of its post-retirement and post-termination liabilities. As at August 31, 2003, the actuary has determined the estimated liabilities to be as follows:

| | 2003 |
|----------------------------------|---------------------|
| Retirement gratuities | \$ 1,587,318 |
| Endowments in lieu of gratuities | 113,896 |
| Post-retirement benefits | 822,903 |
| | \$ 2,524,117 |

As mentioned in Note 2 to the financial statements, no provision has been made to record these liabilities in the financial statements.

A reserve fund of \$253,379 (2002 - \$246,059) has been established to partially offset the liability related to retirement gratuities. During the year, \$409,241 (2002 - \$314,575) was paid in retirement gratuities.

The significant actuarial assumptions adopted in estimating the liabilities reported above are as follows:

| | |
|-----------------|--|
| Inflation rate | 2% |
| Interest rate | 5.5% |
| Salary increase | 3% per annum |
| Health costs | 15%; decreasing by 1% increments per annum to an ultimate rate of 3% |
| Dental costs | 6%; decreasing by 1% increments per annum to an ultimate rate of 3% |

(b) During the year, the Board also engaged the services of an actuary to determine the reserve required by the Board to fund workers' compensation claims under Schedule 2 of the Workplace Safety and Insurance Act as at August 31, 2003. The actuary has determined the estimated liability to be \$58,762. No provision has been made to record this liability in the financial statements. A reserve fund of \$89,516 (2002 - \$29,978) has been established to offset this liability. The amount of benefits paid in the 2002/2003 fiscal year was \$27,968.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED AUGUST 31, 2003 & 2002

8. NET LONG-TERM LIABILITIES

Of the net long-term liabilities outstanding of \$4,400,000, principal amounting to \$4,400,000 plus interest amounting to \$168,300 is payable over the next year.

9. OTHER REVENUE

| | 2003 | 2002 |
|---------------------|-------------------|-------------------|
| Interest | \$ 78,570 | \$ 109,838 |
| Other school boards | 4,398 | - |
| Rentals | 6,000 | 6,000 |
| Other | 25,248 | 8,003 |
| | \$ 114,216 | \$ 123,841 |

10. DEBT CHARGES AND INTEREST

The Revenue Fund expense for debt charges and interest includes principal and interest payments as follows:

| | |
|---|-------------------|
| Principal payments on long-term liabilities | \$ 240,000 |
| Interest payments on long-term liabilities | 345,750 |
| | \$ 585,750 |

11. DEBENTURE INTEREST ACCRUAL

The amount of unaccrued interest on net long-term debt from the date of payment to the year-end is \$56,100 (2002 - \$59,150).

12. PENSION PLAN COSTS

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 defined benefit 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 School Board are the employer's contributions to the Ontario Teachers' Pension Plan. The funding for such is provided directly by the Province of Ontario.

13. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE

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.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED AUGUST 31, 2003 & 2002

14. COMMITMENTS

(a) The School Board has entered into agreements to lease certain office equipment. Minimum lease payments for the next five years are approximately as follows:

| | |
|-----------|-----------|
| 2003/2004 | \$106,832 |
| 2004/2005 | \$103,636 |
| 2005/2006 | \$84,508 |
| 2006/2007 | \$41,443 |
| 2007/2008 | \$18,754 |

(b) The School Board has entered into an agreement to lease office space in Kirkland Lake, Ontario for annual rent payments (excluding G.S.T.) of approximately \$15,187. This lease expires in July 2007.

15. UNUSED VACATION DAYS ACCRUAL

The amount of unused vacation days that has not been accrued is \$99,593 (2002 - \$93,177).

16. PUBLIC SECTOR SALARY DISCLOSURE

On January 29, 1996 the Ontario Legislature passed the Public Sector Salary Disclosure Act which requires Ontario's broader public sector organizations to disclose annually the names, positions, salaries and taxable benefits of employees paid \$100,000 or more a year. In the calendar year 2002, the following employees of the Northeastern Catholic District School Board were paid \$100,000 or more:

| EMPLOYEE | POSITION | SALARY | TAXABLE BENEFITS |
|---------------|----------------------------|------------|------------------|
| Larry Yaguchi | Director of Education | \$ 129,929 | \$ 2,954 |
| Yves Meloche | Manager of Human Resources | \$ 107,405 | \$ 4,208 |

17. REVENUE FUND STATEMENT OF OPERATIONS

(a) 2002/2003 BUDGET

The 2002/2003 budget data shown on this statement are the budget amounts approved by the Board and submitted to the Ministry of Education. These amounts have not been audited by the School Board's external auditor and do not include the funding enhancements announced in December 2002. These enhancements are included in the actual revenues for the 2002/2003 operations.

18. COMPARATIVE FIGURES

The comparative figures have been reclassified to conform to the current year's financial statement presentation.

19. STATEMENT OF CASH FLOWS

A statement of cash flows has not been prepared because the information contained therein is evident from the other financial statements.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

SCHEDULE OF REVENUE FUND EXPENSES

YEARS ENDED AUGUST 31

| | 2003 | 2002 |
|-------------------------------------|---------------------|--------------|
| CLASSROOM | | |
| Salaries and wages | \$11,321,192 | \$10,484,567 |
| Employee benefits | 1,616,046 | 1,373,879 |
| Staff development | 101,645 | 72,935 |
| Supplies and services | 1,381,244 | 1,081,034 |
| Replacement furniture and equipment | 11,402 | 562 |
| Capital expenses | 574,161 | 259,418 |
| Rental expenses | 95,713 | 90,623 |
| Fees and contractual services | 237,366 | 146,498 |
| Other | 9,802 | 5,720 |
| | 15,348,571 | 13,515,236 |
| NON-CLASSROOM | | |
| Salaries and wages | 2,998,374 | 2,922,829 |
| Employee benefits | 367,189 | 443,871 |
| Staff development | 19,077 | 17,977 |
| Supplies and services | 176,105 | 192,350 |
| Capital expenses | 21,619 | 3,087 |
| Other | - | 250 |
| | 3,582,364 | 3,580,364 |
| ADMINISTRATION | | |
| Salaries and wages | 931,002 | 882,573 |
| Employee benefits | 190,071 | 101,976 |
| Staff development | 35,234 | 44,899 |
| Supplies and services | 217,206 | 206,525 |
| Capital expenses | 22,578 | 97,934 |
| Rental expenses | 35,102 | 36,724 |
| Fees and contractual services | 173,583 | 158,714 |
| Other | 42,719 | 41,528 |
| | 1,647,495 | 1,570,873 |

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

SCHEDULE OF REVENUE FUND EXPENSES (CONT'D)

YEARS ENDED AUGUST 31

| | 2003 | 2002 |
|-------------------------------------|---------------------|---------------------|
| TRANSPORTATION | | |
| Salaries and wages | 78,634 | 31,599 |
| Employee benefits | 9,728 | 4,190 |
| Staff development | 816 | 407 |
| Supplies and services | 11,830 | 3,066 |
| Capital expenses | - | 369 |
| Fees and contractual services | 2,030,683 | 2,058,458 |
| Other | 3,496 | 1,360 |
| Transfers to other Boards | 386,777 | 1,378,743 |
| | 2,521,964 | 3,478,192 |
| PUPIL ACCOMMODATION | | |
| Salaries and wages | 1,128,004 | 1,096,381 |
| Employee benefits | 191,118 | 173,617 |
| Staff development | 258 | 1,056 |
| Supplies and services | 753,710 | 701,645 |
| Capital expenses | 828,780 | 381,219 |
| Debt charges and interest | 585,750 | 593,525 |
| Fees and contractual services | 394,937 | 354,469 |
| | 3,882,557 | 3,301,912 |
| OTHER | 1,605 | - |
| TRANSFERS TO RESERVES/RESERVE FUNDS | 447,265 | 611,754 |
| TOTAL EXPENSES | \$27,431,821 | \$26,058,331 |