Consolidated Financial Statements of

# NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Year ended August 31, 2014

# MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the **Northeastern Catholic District School Board** are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act as described in note 1 to the consolidated financial statements.

The preparation of consolidated 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 consolidated financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Director of Education

Manager of Financial Services

November 29, 2014

**KPMG LLP**
**Chartered Accountants**
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# INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Northeastern Catholic District School Board

We have audited the accompanying consolidated financial statements **Northeastern Catholic District School Board**, which comprise the consolidated statement of financial position as at August 31, 2014, the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 1 to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualification*

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.

KPMG

*Opinion*

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, the consolidated financial statements of the Northeastern Catholic District School Board as at August 31, 2014, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

*Emphasis of Matter*

Without modifying our opinion, we draw attention to note 1(a) to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 29, 2014
Sudbury, Canada

# NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

As at August 31, 2014, with comparative information for 2013

| | | 2014 | 2013 |
|---|---|---|---|
| **Financial assets:** | | | |
| Cash and cash equivalents | $ | 10,860,462 | 10,196,539 |
| Accounts receivable (note 3) | | 1,737,556 | 1,814,410 |
| Accounts receivable - Government of Ontario Capital (note 4) | | 1,795,239 | 1,906,156 |
| Total financial assets | | 14,393,257 | 13,917,105 |
| **Financial liabilities:** | | | |
| Accounts payable and accrued liabilities (note 5) | | 1,896,156 | 2,273,991 |
| Deferred revenue (note 7) | | 3,655,836 | 3,284,675 |
| Accrued interest on long-term debt | | 101,371 | 104,864 |
| Retirement and other employee future benefits payable (note 10) | | 1,481,732 | 1,601,974 |
| Long-term debt (note 11) | | 5,406,135 | 5,590,064 |
| Deferred capital contributions (note 8) | | 25,630,295 | 25,908,446 |
| Total financial liabilities | | 38,171,525 | 38,764,014 |
| **Net debt** | | (23,778,268) | (24,846,909) |
| **Non-financial assets:** | | | |
| Prepaid expenses | | 379,026 | 443,700 |
| Tangible capital assets (note 14) | | 28,986,263 | 29,577,322 |
| Total non-financial assets | | 29,365,289 | 30,021,022 |
| Commitments (note 17) | | | |
| Contingent liabilities (note 18) | | | |
| **Accumulated surplus** (note 15) | $ | 5,587,021 | 5,174,113 |

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

_______________ Director of Education

_______________ Chair of the Board

# NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2014, with comparative information for 2013

| | | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Municipal grants | $ | 4,248,467 | 4,310,554 | 4,175,284 |
| Government of Ontario grants: | | | | |
| - Grants for Student Needs | | 29,988,015 | 29,047,569 | 29,505,015 |
| - Other | | 2,203,878 | 2,615,098 | 2,270,691 |
| - Amortization of deferred capital contributions | | 1,134,751 | 1,348,207 | 1,263,270 |
| Federal grants and fees | | 321,784 | 389,182 | 378,948 |
| Other revenues - school boards | | 245,515 | 173,612 | 231,367 |
| Other fees and revenues (note 12) | | 34,207 | 182,907 | 252,750 |
| Investment income | | 70,000 | 121,409 | 105,507 |
| School generated funds | | 945,632 | 952,608 | 1,003,918 |
| Total revenue | | 39,192,249 | 39,141,146 | 39,186,750 |
| **Expenses** (note 13)**:** | | | | |
| Instruction | | 27,978,705 | 27,352,281 | 26,897,993 |
| Administration | | 2,246,006 | 2,027,923 | 1,960,736 |
| Transportation | | 2,743,287 | 2,942,390 | 2,814,017 |
| Pupil accommodation | | 5,202,692 | 5,374,492 | 5,253,727 |
| Other | | 6,166 | 133,093 | 143,552 |
| School funded activities | | 945,632 | 898,059 | 1,025,710 |
| Total expenses | | 39,122,488 | 38,728,238 | 38,095,735 |
| **Annual surplus** | | 69,761 | 412,908 | 1,091,015 |
| Accumulated surplus, beginning of year | | 5,174,113 | 5,174,113 | 4,083,098 |
| **Accumulated surplus, end of year** | $ | 5,243,874 | 5,587,021 | 5,174,113 |

See accompanying notes to the consolidated financial statements.

# NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2014, with comparative information for 2013

| | | 2014 | 2013 |
|---|---|---|---|
| Annual surplus | $ | 412,908 | 1,091,015 |
| **Tangible capital assets:** | | | |
| Acquisition of tangible capital assets | | (939,028) | (1,260,657) |
| Amortization of tangible capital assets | | 1,530,087 | 1,452,653 |
| | | 591,059 | 191,996 |
| **Prepaid expenses:** | | | |
| Acquisition of prepaid expenses | | (379,026) | (443,700) |
| Use of prepaid expenses | | 443,700 | 135,348 |
| | | 64,674 | (308,352) |
| **Decrease in net debt** | | 1,068,641 | 974,659 |
| Net debt, beginning of year | | (24,846,909) | (25,821,568) |
| **Net debt, end of year** | $ | (23,778,268) | (24,846,909) |

See accompanying notes to consolidated financial statements.

# NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2014, with comparative information for 2013

| | | 2014 | 2013 |
|---|---|---|---|
| Operating transactions: | | | |
| Annual surplus | $ | 412,908 | 1,091,015 |
| Items not involving cash: | | | |
| Amortization of tangible capital assets | | 1,530,087 | 1,452,653 |
| Amortization of deferred capital contributions | | (1,348,207) | (1,263,270) |
| | | 594,788 | 1,280,398 |
| Change in non-cash assets and liabilities: | | | |
| Decrease (increase) in accounts receivable | | 76,854 | (301,127) |
| Increase (decrease) in accounts payable and accrued liabilities | | (377,835) | 958,278 |
| Increase in deferred revenue | | 371,161 | 625,507 |
| Decrease in accrued interest on long-term debt | | (3,493) | (3,322) |
| Decrease in employee future benefits | | (120,242) | (176,580) |
| Decrease (increase) in prepaid expenses | | 64,674 | (308,352) |
| Cash provided by operating transactions | | 605,907 | 2,074,802 |
| Capital transactions: | | | |
| Cash used to acquire tangible capital assets | | (939,028) | (1,260,657) |
| Cash applied to capital transactions | | (939,028) | (1,260,657) |
| Financing transactions: | | | |
| Long-term debt repaid | | (183,929) | (174,928) |
| Additions to deferred capital contributions | | 1,070,056 | 1,385,238 |
| Decrease (increase) in accounts receivable - Approved Capital Funding | | 110,917 | (3,043) |
| Cash provided by financing transactions | | 997,044 | 1,207,267 |
| **Change in cash and cash equivalents** | | 663,923 | 2,021,412 |
| Cash and cash equivalents, beginning of year | | 10,196,539 | 8,175,127 |
| **Cash and cash equivalents, end of year** | $ | 10,860,462 | 10,196,539 |

See accompanying notes to consolidated financial statements.

The Northeastern Catholic District School Board is an English Catholic school board formed on January 1, 1998 from the English Language sections of four separate school boards. The School Boards, which covers an area from Cobalt to Moosonee, Ontario, has one secondary and thirteen elementary schools under its jurisdiction.

## 1. Significant accounting policies:

The consolidated financial statements of the Northeastern Catholic District School Board (the "Board") have been prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

(a) Basis of accounting:

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant ministry of the Government of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations and accumulated surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than amortization, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Ontario Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

**1. Significant accounting policies:**

(a) Basis of accounting (continued):

As a result, revenue recognized in the statement of operations and accumulated surplus and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses 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, including:

i) School generated funds: the assets, liabilities, revenues, expenses that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.

ii) The Board is one of three school boards that entered into a partnership agreement to share certain costs related to transportation. As a result, the Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro-rata share of revenue and expenses.

(c) 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.

(d) Cash and cash equivalents:

Cash and cash equivalents consist 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) Deferred revenue:

The Board receives amounts pursuant to legislation, regulation or agreement that may only be used for 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.

(f) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions when the asset is acquired as required under Ontario Regulation 395/11 of the Financial Administration Act. Amounts are recognized into revenue at the same rate as the related tangible capital asset is amortized.

**1. Significant accounting policies (continued):**

(g) 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 accrues its obligation for these employee benefits. The Board has adopted the following accounting 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, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining services life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as 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.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as 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 ("OMERS") 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.

**1. Significant accounting policies (continued):**

(h) Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The Board does not capitalize interest paid on debt used to finance the construction of tangible capital assets. When historical records were not available, other methods were used to estimate the cost and accumulated amortization.

Tangible capital assets, excluding land, are amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Land improvements with finite lives | 15 years |
| Buildings and improvements | 40 years |
| Portable and other structures | 20 years |
| Furniture and equipment | 5 - 15 years |
| Vehicles | 5 - 10 years |
| Computer hardware and software | 5 years |

Amortization is taken at 50% of the above rates in the year of acquisition.

Assets under construction and assets that related to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as “assets held for sale” on the Consolidated Statement of Financial Position.

Works of art and cultural and historic assets are not recorded as assets in these consolidated financial statements.

(i) 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.

Government transfers for the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(f).

**1. Significant accounting policies (continued):**

(j) Investment income:

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as proceeds of disposition, special education, transition, distance schools and school renewal forms part of the respective deferred revenue balances.

(k) 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.

The Board approves its budget annually. The approved operating budget for 2013-2014 is reflected on the Consolidated Statement of Operations and Accumulated Surplus, the budget was approved on June 19, 2013.

(l) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1 requires management to make estimates and assumptions that affect the reported amount 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 expenses during the year. Actual results could differ from these current estimates. Significant estimates include assumptions used in performing actuarial valuations of employee future benefit liabilities.

These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

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**2. 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 and related liability in the amount of $Nil (2013 - $71,882) have been included with cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

## 3. Accounts receivable:

| | | 2014 | 2013 |
|---|---|---|---|
| Municipalities | $ | 697,721 | 552,599 |
| Government of Canada | | 411,788 | 413,904 |
| Government of Ontario | | 462,976 | 658,857 |
| Other school boards | | 96,537 | 130,306 |
| Other | | 68,534 | 58,744 |
| | $ | 1,737,556 | 1,814,410 |

## 4. Accounts receivable – Approved Capital Funding:

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-10. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of Ontario of $1,795,239 (2013 - $1,906,156) as at August 31, 2014 with respect to capital grants.

## 5. Accounts payable and accrued liabilities:

| | | 2014 | 2013 |
|---|---|---|---|
| Trade payables and accrued liabilities | $ | 823,734 | 1,450,756 |
| Government of Canada | | 22,381 | 19,555 |
| Government of Ontario | | 615,906 | 309,982 |
| Vacation payable | | 229,158 | 240,524 |
| Deferred salary | | – | 72,439 |
| Endowments | | – | 393 |
| Other school boards | | 204,977 | 180,342 |
| | $ | 1,896,156 | 2,273,991 |

## 6. Temporary borrowing:

The School Board has available to it a $3,000,000 revolving demand credit facility to finance general operating requirements which bears interest at the Royal Bank Prime rate less 0.75% per annum. The School Board also has available to it a $1,000,000 lease line of credit to finance the acquisition of equipment only. The Board did not utilize these credit facilities during the year (2013 - $Nil).

## 7. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts that are required to be set aside by the Board for specific purposes, legislation, regulation or agreement.

Deferred revenue is comprised of:

| | Balance at August 31, 2013 | Externally restricted revenue and investment income | Revenue recognized in the period | Transfers (to) deferred capital contributions | Balance at August 31, 2014 |
|---|---|---|---|---|---|
| Amounts restricted by legislation, regulation or agreement: | | | | | |
| Proceeds of disposition | $ 878,215 | 11,040 | – | – | 889,255 |
| Special education | 229,108 | 4,421,830 | (4,494,418) | – | 156,520 |
| Distance schools | 100,925 | 1,269 | – | – | 102,194 |
| School renewal | 448,538 | 877,798 | (367,736) | (231,681) | 726,919 |
| School condition improvement | 457,508 | 763,347 | – | (543,158) | 677,697 |
| Ministry of Training, Colleges and Universities | – | 53,708 | – | – | 53,708 |
| Ministry of Citizenship & Immigration | – | 24,836 | (22,400) | – | 2,436 |
| Education Programs – Other (EPO) | – | 709,016 | (408,445) | – | 300,571 |
| Full day kindergarten - special education | 191,367 | 246,058 | (34,106) | – | 403,319 |
| Child-care retrofit | 265,200 | 157,200 | – | (223,453) | 198,947 |
| | 2,570,861 | 7,266,102 | (5,327,105) | (998,292) | 3,511,566 |
| Amounts restricted by external contributor | 713,814 | 254,657 | (824,201) | – | 144,270 |
| Total | $ 3,284,675 | 7,520,759 | (6,151,306) | (998,292) | 3,655,836 |

## 8. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been expended by year-end. The contributions are amortized into revenue over the life of the asset acquired.

| | 2014 | 2013 |
|---|---|---|
| Balance, beginning of year | $ 25,908,446 | 25,786,478 |
| Additions to deferred capital contributions | 1,070,056 | 1,385,238 |
| Revenue recognized during the year | (1,348,207) | (1,263,270) |
| Balance, end of year | $ 25,630,295 | 25,908,446 |

## 9. 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.

a) Plan changes:

In 2013, changes were made to the short-term leave and disability plan. Under the new short-term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short-term leave and disability plan in that year. A provision has been established representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance, health and dental benefits have been grandfathered to existing retirees and employees who retired between September 1, 2012 and August 31, 2013. Effective September 1, 2013, any new retiree accessing retirement life, health or dental benefits will pay the full premiums for such benefits and will be included in a separate experience pool for participating retirees that is self-funded.

b) Retirement benefits:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teacher's Pension Plan. Employer contributions for these employees are provided directly by the Government 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 consolidated financial statements.

**10. Employee future benefits** (continued)**:**

b) Retirement benefits (continued):

(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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2014, the Board contributed $458,170 (2013 - $436,319) 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 consolidated financial statements.

(iii) Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. 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 consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

(iv) Retirement life insurance, dental 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. These benefits have been grandfathered to existing retirees and employees who retired in 2012-2013. Effective September 1, 2013, any new retiree accessing retirement life insurance, health or dental benefits pays the full premiums for such benefits and will be included in a separate experience pool for participating retirees. 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 consolidated financial statements.

c) Other employee future benefits:

(i) Workplace Safety and Insurance Board Obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. Plan changes made in 2012 require the Board to provide a salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision.

**10. Employee future benefits** (continued)**:**

c) Other employee future benefits (continued):

(ii) Long-term disability life insurance, dental 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 are not included in this plan.

The accrued benefit obligations for employee future benefit plans as at August 31, 2014 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2014. 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:

| | 2014 | 2013 |
|---|---|---|
| | % | % |
| Inflation | 2.0 | 2.0 |
| Discount on accrued benefit obligations | 2.85 | 3.4 |
| Discount on accrued benefit obligations - WSIB | 2.85 | 2.75 |

Assumed health care cost trend rates:

| | 2014 | 2013 |
|---|---|---|
| Health care cost escalation | 8.75% for 2013/14 reducing by ¼% in each year to an ultimate rate of 4.75% | 8.75% for 2013/14 reducing by ¼% in each year to an ultimate rate of 4.75% |
| Dental care cost escalation | 8.75% for 2013/14 reducing by ¼% in each year to an ultimate rate of 3% | 8.75% for 2013/14 reducing by ¼% in each year to an ultimate rate of 3% |
| Insurance and health care cost escalation - WSIB | 4.0% | 4.5% |

The Board has internally appropriated an amount for sick leave totaling $319,655 (2013 - $315,686) and for WSIB totaling $111,932 (2013 - $110,740).

**10. Employee future benefits** (continued)**:**

Information with respect to the Board's retirement and other employee future benefit liability is as follows:

| **Accrued benefit obligation** | | | | 2014 | 2013 |
|---|---|---|---|---|---|
| | | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Accrued employee future benefit obligations | $ | 112,537 | 1,385,637 | 1,498,174 | 1,557,286 |
| Unamortized actuarial gains/(losses) | | – | (16,442) | (16,442) | 44,688 |
| | $ | 112,537 | 1,369,195 | 1,481,732 | 1,601,974 |

| **Employee future benefit expenses** | | | | 2014 | 2013 |
|---|---|---|---|---|---|
| | | Retirement Benefits | Other Employee Future Benefits | Total Employee Future Benefits | Total Employee Future Benefits |
| Current year benefit cost | $ | – | (18,848) | (18,848) | 17,400 |
| Interest on accrued benefit obligation | | 4,844 | 44,039 | 48,883 | 50,863 |
| Benefit payments | | (64,316) | (76,073) | (140,389) | (238,675) |
| Amortization of actuarial losses (gains) | | (2,608) | (7,281) | (9,889) | (45,424) |
| Curtailment gain | | – | – | – | 39,256 |
| Employee future benefits expenses[1] | $ | (62,080) | (58,163) | (120,243) | (176,580) |

[1] Excluding pension contributions to multi-employer pension plans, described in note 10(b).

## 11. Net long-term liabilities:

Net long-term liabilities reported on the Consolidated Statement of Financial Position consist of the following:

| | | 2014 | 2013 |
|---|---|---|---|
| Loan payable to The Canada Life Assurance Company, bearing interest at 5.109% per annum, repayable in semi-annual blended payments of $160,394, is an unsecured debenture, maturing April 5, 2031 | $ | 3,615,569 | 3,746,595 |
| Loan payable to the Ontario Financing Authority with interest rate of 4.9% per annum, repayable semi-annual blended payments of $45,090, is an unsecured debenture maturing on March 3, 2033 | | 1,099,526 | 1,134,538 |
| Loan payable to the Ontario Financing Authority with interest rate of 5.232% per annum, repayable semi-annual blended payments of $27,376, is an unsecured debenture maturing on April 13, 2035 | | 691,040 | 708,931 |
| | $ | 5,406,135 | 5,590,064 |

Payments relating to the net long-term liabilities outstanding as at August 31, 2014 are due as follows:

| | | Principal | Interest | Total |
|---|---|---|---|---|
| 2014-2015 | $ | 193,311 | 271,438 | 464,749 |
| 2015-2016 | | 203,230 | 261,519 | 464,749 |
| 2016-2017 | | 213,659 | 251,090 | 464,749 |
| 2017-2018 | | 224,622 | 240,127 | 464,749 |
| 2018-2019 | | 236,149 | 228,600 | 464,749 |
| Thereafter | | 4,335,164 | 1,627,595 | 5,962,759 |
| | $ | 5,406,135 | 2,880,369 | 8,286,504 |

## 12. Other fees and revenues:

| | 2014 | 2013 |
|---|---|---|
| Rental revenue | $ 55,942 | 64,809 |
| Fees from boards outside Ontario | 14,207 | 44,321 |
| Other | 112,758 | 143,620 |
| | $ 182,907 | 252,750 |

## 13. Expenses by object:

The following is a summary of the expenses reported on the Consolidated Statement of Operations by object:

| | 2014 Budget | 2014 Actual | 2013 Actual |
|---|---|---|---|
| Current expenses: | | | |
| Salary and wages | $ 25,077,910 | 24,263,534 | 24,436,964 |
| Employee benefits | 3,369,809 | 3,115,336 | 2,614,088 |
| Staff development | 357,059 | 312,129 | 380,362 |
| Supplies and services | 2,925,939 | 3,180,921 | 2,797,356 |
| Interest on long-term debt | 281,790 | 278,297 | 287,470 |
| Rental | 198,775 | 143,001 | 162,260 |
| Fees and contract services | 4,324,308 | 4,739,419 | 4,628,693 |
| School funded activities | 945,632 | 898,059 | 1,025,710 |
| Other | 127,482 | 267,455 | 310,179 |
| Amortization of tangible capital assets | 1,513,784 | 1,530,087 | 1,452,653 |
| | $ 39,122,488 | 38,728,238 | 38,095,735 |

## 14. Tangible capital assets:

| Cost | Balance at August 31, 2013 | Additions and Transfers | Disposals and Write-offs | Balance at August 31, 2014 |
|---|---|---|---|---|
| Land | $ 354,600 | $ – | $ – | $ 354,600 |
| Land improvements | 68,070 | 100,472 | – | 168,542 |
| Buildings | 40,317,435 | 762,742 | – | 41,080,177 |
| Other buildings | 731,425 | – | – | 731,425 |
| Portable structures | 669,300 | – | – | 669,300 |
| Furniture | 34,892 | – | – | 34,892 |
| Equipment | 225,807 | 16,451 | – | 242,258 |
| First-time equipping | 101,340 | 16,336 | – | 117,676 |
| Vehicles | 191,217 | – | – | 191,217 |
| Computer hardware and software | 573,345 | 43,027 | – | 616,372 |
| Total | $ 43,267,431 | $ 939,028 | $ – | $ 44,206,459 |

| Accumulated Amortization | Balance at August 31, 2013 | Disposals and Transfers | Amortization Expense | Balance at August 31, 2014 |
|---|---|---|---|---|
| Land | $ – | $ – | $ – | $ – |
| Land improvements | 4,517 | – | 7,887 | 12,404 |
| Buildings | 12,607,503 | – | 1,266,335 | 13,873,838 |
| Other buildings | 146,284 | – | 35,463 | 181,747 |
| Portable structures | 498,194 | – | 34,071 | 532,265 |
| Furniture | 26,090 | – | 3,177 | 29,267 |
| Equipment | 132,941 | – | 26,978 | 159,919 |
| First-time equipping | 6,713 | – | 10,915 | 17,628 |
| Vehicles | 42,036 | – | 21,235 | 63,271 |
| Computer hardware and software | 225,831 | – | 124,026 | 349,857 |
| Total | $ 13,690,109 | $ – | $1,530,087 | $ 15,220,196 |

## 14. Tangible capital assets (continued):

| | Net book value August 31, 2013 | Net book value August 31, 2014 |
|---|---|---|
| Land | $ 354,600 | $ 354,600 |
| Land improvements | 63,553 | 156,138 |
| Buildings | 27,709,932 | 27,206,339 |
| Other buildings | 585,141 | 549,678 |
| Portable structures | 171,106 | 137,035 |
| Furniture | 8,802 | 5,625 |
| Equipment | 92,866 | 82,339 |
| First-time equipping | 94,627 | 100,048 |
| Vehicles | 149,181 | 127,946 |
| Computer hardware and software | 347,514 | 266,515 |
| Total | $ 29,577,322 | $ 28,986,263 |

## 15. Accumulated surplus:

Accumulated surplus consists of the following:

| | | 2014 | 2013 |
|---|---|---|---|
| **Available for compliance – unappropriated** | | | |
| Total operating accumulated surplus | $ | 1,738,543 | 1,299,908 |
| **Available for compliance – internally appropriated** | | | |
| Reserve funds | | 672,444 | 666,222 |
| Transportation surplus from prior years | | 571,616 | 571,616 |
| Student success unspent funds | | 199,865 | 309,089 |
| | | 1,443,925 | 1,546,927 |
| **Unavailable for compliance – externally appropriated** | | | |
| Employee future benefits | | (1,454,626) | (1,601,974) |
| Accrued interest | | (101,371) | (104,864) |
| | | (1,555,997) | (1,706,838) |
| **Other** | | | |
| School activities fund | | 423,886 | 365,245 |
| Revenues recognized for land | | 354,600 | 354,600 |
| Tangible capital assets – unsupported amortization | | 3,182,064 | 3,314,271 |
| | | 3,960,550 | 4,034,116 |
| Total accumulated surplus | $ | 5,587,021 | 5,174,113 |

## 16. 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. Liability insurance is available to a maximum of $24 million per occurrence.

The premiums over a five year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current five year term expires December 31, 2016.

## 17. Commitments:

Lease and service agreements:

The Board has entered into various lease and service agreements. Minimum payments (including taxes excluding tax rebates) for the next five years are approximately as follows:

| | |
|---|---|
| 2015 | $ 1,754,341 |
| 2016 | 1,721,369 |
| 2017 | 1,036,893 |
| 2018 | 662,131 |
| 2019 | 1,723 |

## 18. Contingent liabilities:

The Board is contingently liable with respect to litigation and claims which arrive from time to time in the normal course of business. In the opinion of management, the liability that may arrive from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board.

## 19. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year excess of revenue over expenses.

# NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Schedule of Reserve Funds Continuity

Year ended August 31, 2014, with comparative information for 2013

| | | Sick Leave Reserve Fund | WSIB Reserve Fund | Capital Reserve Fund | Transition Reserve Fund | Bursaries Reserve Fund | Total 2014 | Total 2013 |
|---|---|---|---|---|---|---|---|---|
| Balance, beginning of year | $ | 315,686 | 110,740 | 81,148 | 155,403 | 3,245 | 666,222 | 505,014 |
| Additions: | | | | | | | | |
| Interest earned | | 3,969 | 1,192 | 1,020 | - | 41 | 6,222 | 5,805 |
| Transfer to reserve | | - | - | - | - | - | - | 155,403 |
| **Balance, end of year** | $ | 319,655 | 111,932 | 82,168 | 155,403 | 3,286 | 672,444 | 666,222 |

See accompanying notes to the consolidated financial statements.