Consolidated Financial Statements of

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And Independent Auditors' Report thereon

Year ended August 31, 2019 M

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

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

Qualified Opinion

We have audited the consolidated financial statements of Northeastern Catholic District School Board (the Entity), which comprise:

- the consolidated statement of financial position as at August 31, 2019
- the consolidated statement of operations and accumulated surplus for the year then ended
- the consolidated statement of changes in net debt for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes and schedule to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school generated funds revenue referred to in the following paragraph, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at August 31, 2019, and its consolidated results of operations and its cash flows for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements.

Basis for Qualified Opinion

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.

Therefore, we were not able to determine whether adjustments might be necessary to:

- the financial assets reported in the consolidated statements of financial position as at August 31, 2019 and August 31, 2018

- the school generated funds revenues and annual surplus reported in the consolidated statements of operations and accumulated surplus for the years ended August 31, 2019 and August 31, 2018
- the accumulated surplus, at the beginning and end of the year, reported in the consolidated statements of financial position and consolidated statements of operations and accumulated surplus for the years ended August 31, 2019 and August 31, 2018
- the annual surplus reported in the consolidated statements of cash flows for the years ended August 31, 2019 and August 31, 2018

Our opinion on the financial statements for the year ended August 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the $XGLWRUV 5HVSRQVLELOLWLHV IRU WKH $XGLW RI WKH)LQ section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter - Financial Reporting Framework

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evi

Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2019, with comparative information for 2018

		2019 Budget	2019 Actual	2018 Actual
Revenue:				
Government of Ontario grants:				
- Grants for Student Needs	$	34,648,164	34,187,329	33,430,958
- Provincial legislative grant		4,014,717	4,080,920	3,842,421
- Other		1,695,788	2,164,051	

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 Board, which covers an area from Cobalt to Moosonee, Ontario, has one secondary and thirteen elementary schools under its jurisdiction.

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(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.

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(g) Retirement and other employee future benefits:

The Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans.

As part of the ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) were established between 2016 and 2018 for all employee groups. Additionally, retirees belonging to the Principal/Vice Principal and Non-union employee groups have transitioned to the ELHT in 2017-18. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. School boards are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHT is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a crown contribution and stabilization adjustment. After retirees transition, the Board continues to be responsible for its share of costs of benefits based on the cost sharing agreement prior to the transition to the ELHT.

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.

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(i) Government transfers (continued):

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

(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.

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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 $26,351 (2018 - $90,277) have been included with cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

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	2019	2018
Municipalities	$ 468,878	652,710
Government of Canada	165,444	367,140
Government of Ontario	5,241,461	761,080
Other school boards	123,512	29,124
Other	51,834	19,790
	$ 6,051,129	1,829,844

The Ministry of Education introduced a cash management strategy effective September 1, 2018. As part of the strategy, the ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry. The balance of delayed grant payments included in the receivable balance from the Government of Ontario at August 31, 2019 is $4,709,461.

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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.

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The accrued benefit obligations for employee future benefit plans as at August 31, 2019 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2019. 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:

	2019	2018
	%	%
Inflation	1.5	1.5
Discount on accrued benefit obligations	2	2.9
Discount on accrued benefit obligations - WSIB	2	2.9

Assumed health care cost trend rates:

	2019	2018
Insurance and health care cost escalation - WSIB	4.0%	4.0%

The Board has internally appropriated an amount for sick leave totaling $342,120 (2018 - $334,877) and for WSIB totaling $120,013 (2018 - $117,473).

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

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Payments relating to the net long-term liabilities outstanding as at August 31, 2019 are due as follows:

	Principal	Interest	Total
2019-2020	$ 158,338	144,208	302,546
2020-2021	166,461	136,085	302,546
2021-2022	175,001	127,545	302,546
2022-2023	183,980	118,566	302,546
2023-2024	194,153	108,393	302,546
Thereafter	2,006,034	592,377	2,598,411
	$ 2,883,967	1,227,174	4,111,141

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

	2019 Budget	2019 Actual	2018 Actual
Current expenses:			
Salary and wages	$ 26,967,651	25,658,106	25,263,446
Employee benefits	4,515,499	4,332,956	3,554,393
Staff development	299,902	315,530	309,272
Supplies and services	2,845,260	3,429,400	3,331,898
Interest on long-term debt	191,027	147,491	331,146
Rental	169,830	154,767	138,047
Fees and contract services	1,881,016	5,827,873	5,041,682
School funded activities	975,000	978,402	988,766
Other	3,681,004	363,838	627,839
Amortization of tangible capital assets	1,583,100	2,189,764	1,775,918
Loss on write-down of tangible capital assets	–	37,362	114,681
	$ 43,109,289	43,435,489	41,477,088

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Accumulated surplus consists of the following:

		2019	2018
Available for compliance – unappropriated			
Total operating accumulated surplus	$	4,438,785	3,474,403
Available for compliance – internally appropriated			
Reserve funds		553,593	541,873
Transportation surplus from prior years		85,374	210,519
		638,967	752,392
Unavailable for compliance – externally appropriated			
Employee future benefits		(552,463)	(685,067)
Accrued interest		(74,352)	(22,362)
		(626,815)	(707,429)
Other			
School activities fund		389,200	392,948
Revenues recognized for land		334,600	334,600
Tangible capital assets – unsupported amortization		2,072,653	2,258,402
		2,796,453	2,985,950
Total accumulated surplus	$	7,247,390	6,505,316

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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, 2021.

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On April 26, 2005, the Board entered into an agreement with Conseil Scolaire Public du Nord-Est de l'Ontario and District School Board Ontario North East in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement decisions related to the financial and operating activities of the Tri-Board are shared. No partner is in a position to exercise unilateral control.

The total Tri-Board transportation expenses are $12,602,021 (2018 - $12,024,135) and the Boards share is $3,280,456 (2018 - $3,181,648).

At year-end, the Board has a payable of $245,570 (2018 - $208,291) to the Consortium.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of c

Consolidated Schedule of Reserve Funds Continuity

Year ended August 31, 2019, with comparative information for 2018

		Sick Leave Reserve Fund	WSIB Reserve Fund	Capital Reserve Fund	Bursaries Reserve Fund	Total 2019	Total 2018
Balance, beginning of year	$	334,881	117,472	86,081	3,439	541,873	532,678
Additions:							
Interest earned		7,243	2,540	1,862	75		