

Consolidated Financial Statements of

**NORTHEASTERN CATHOLIC
DISTRICT SCHOOL BOARD**

Year ended August 31, 2014

MANAGEMENT REPORT



KPMG LLP
Chartered Accountants
Claridge Executive Centre
144 Pine Street, PO Box 700
Sudbury ON P3E 4R6

Telephone (705) 675-8500
Fax (705) 675-7586
In Watts (1-800) 461-3551
Internet www.kpmg.ca

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.



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

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
	28,471,529	29,764,014

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.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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).

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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.

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.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

3. Accounts receivable:

	2014	2013
Municipalities	\$ 697,721	552,599
Government of Canada	411,788	413,904

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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	í	í	889,255
Special education	229,108	4,421,830	(4,494,418)	í	156,520
Distance schools	100,925	1,269	í	í	102,194
School renewal	448,538	877,798	(367,736)	(231,681)	726,919
School condition improvement Ministry of Training, Colleges and Universities	457,508	763,347	í	(543,158)	677,697
Ministry of Citizenship & Immigration	í	53,708	í	í	53,708
Education Programs – Other (EPO)	í	24,836	(22,400)	í	2,436
Full day kindergarten - special education	í	709,016	(408,445)	í	300,571
Child-care retrofit	191,367	246,058	(34,106)	í	403,319
	265,200	157,200	í	(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)	í	144,270
Total	\$ 3,284,675	7,520,759	(6,151,306)	(998,292)	3,655,836

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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,

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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	

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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
	<u>\$ 5,406,135</u>	<u>5,590,064</u>

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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	\$ í	\$ í	\$ 354,600
Land improvement				

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2014

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				