

Consolidated Financial Statements of

**CATHOLIC DISTRICT SCHOOL
BOARD OF EASTERN
ONTARIO**

Year ended August 31, 2013

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Financial Statements

Year ended August 31, 2013

Management Responsibility for the Consolidated Financial Statements

Independent Auditors' Report

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

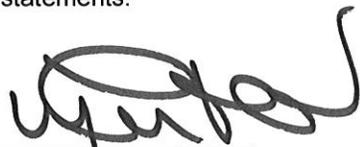
The accompanying consolidated financial statements of the Catholic District School Board of Eastern Ontario are the responsibility of Board management and have been prepared in compliance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario 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

Superintendent of Business

November 5, 2013



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Catholic District School Board of Eastern Ontario

We have audited the accompanying consolidated financial statements of the Catholic District School Board of Eastern Ontario, which comprise the consolidated statement of financial position as at August 31, 2013, 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 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 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 audit opinion.



Opinion

In our opinion, the consolidated financial statements of the Catholic District School Board of Eastern Ontario as at August 31, 2013, 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 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 Accountants, Licensed Public Accountants

November 5, 2013

Ottawa, Canada

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Financial Position

August 31, 2013, with comparative figures for 2012

	2013	2012
Financial assets:		
Cash	\$ 2,570,718	\$ 1,346,772
Temporary investments	28,713	28,498
Accounts receivable:		
Municipalities	2,437,122	2,356,858
Other	3,650,820	5,525,285
Approved capital funding – Government of Ontario (note 4)	80,573,451	83,220,942
Total financial assets	89,260,824	92,478,355
Liabilities:		
Temporary borrowings (note 3)	–	1,557,486
Accounts payable and accrued liabilities	9,950,584	9,281,538
Net long-term liabilities (note 5)	77,049,805	79,661,864
Deferred revenue (note 6)	4,987,286	4,478,478
Employee future benefits liability (note 7)	6,624,399	8,047,438
Deferred capital contributions (note 8)	141,308,911	141,716,052
Total financial liabilities	239,920,985	244,742,856
Net debt	(150,660,161)	(152,264,501)
Non-financial assets:		
Prepaid expenses	7,262,667	7,678,435
Tangible capital assets (note 9)	145,235,134	145,718,927
Total non-financial assets	152,497,801	153,397,362
Commitments and contingent liabilities (note 13)		
Accumulated surplus	\$ 1,837,640	\$ 1,132,861

See accompanying notes to consolidated financial statements.

On behalf of the Board:



Chair of the Board



Director of Education

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2013, with comparative figures for 2012

	2012-2013 Budget	2012-2013 Actual	2011-2012 Actual
Revenues:			
Government of Ontario grants:			
Grants for Student Needs	\$ 133,806,132	\$ 131,925,133	\$ 133,999,083
Provincial legislative grant	19,819,027	19,064,418	19,774,291
Other	3,419,998	5,055,657	2,965,481
Ontario Youth Apprenticeship Program	101,527	101,527	101,527
Amortization of deferred capital contributions (note 8)	6,975,619	7,145,289	6,634,835
Investment income	123,602	395	203,106
Federal grants and fees	–	611	77
Other - school boards	–	9,240	58,762
Other fees and revenue	–	607,576	486,979
School generated funds	4,985,007	4,784,500	5,152,295
Total revenue	169,230,912	168,694,346	169,376,436
Expenses (note 11):			
Instruction	121,469,491	120,730,067	105,469,670
Administration	4,527,160	4,728,191	4,285,823
Transportation	12,744,583	13,243,565	13,370,629
Pupil accommodation	25,438,939	24,063,028	22,616,123
Other	382,827	382,927	409,734
School generated funds	4,987,601	4,841,789	5,155,393
Total expenses	169,550,601	167,989,567	151,307,372
Annual surplus (deficit)	(319,689)	704,779	18,069,064
Accumulated surplus, beginning of year	–	1,132,861	(16,936,203)
Accumulated surplus, end of year (note 14)	\$ –	\$ 1,837,640	\$ 1,132,861

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Change in Net Debt

Year ended August 31, 2013, with comparative figures for 2012

	2013	2012
Annual surplus	\$ 704,779	\$ 18,069,064
Tangible capital assets:		
Acquisition of tangible capital assets	(6,818,152)	(7,745,822)
Amortization of tangible capital assets	7,301,945	6,791,492
	483,793	(954,330)
Prepaid expenses:		
Acquisition of prepaid expenses	(7,376,553)	(7,758,675)
Use of prepaid expenses	7,792,321	3,905,739
	415,768	(3,852,936)
Decrease in net debt	1,604,340	13,261,798
Net debt, beginning of year	(152,264,501)	(165,526,299)
Net debt, end of year	\$ (150,660,161)	\$ (152,264,501)

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Consolidated Statement of Cash Flows

Year ended August 31, 2013, with comparative figures for 2012

	2013	2012
Operating transactions:		
Annual surplus	\$ 704,779	\$ 18,069,064
Items not involving cash:		
Amortization of tangible capital assets	7,301,945	6,791,492
Amortization of deferred capital contributions	(7,145,289)	(6,634,835)
Change in non-cash assets and liabilities:		
Decrease (increase) in temporary investments	(215)	42,509
Decrease (increase) in accounts receivable	1,687,320	(1,907,428)
Decrease (increase) other financial assets	106,881	(81,845)
Increase (decrease) in accounts payable and accrued liabilities	669,046	(121,322)
Increase in deferred revenue	508,808	2,210,875
Decrease in employee future benefits liability	(1,423,039)	(17,333,349)
Decrease (increase) in prepaid expenses	415,768	(3,852,936)
Cash provided by (applied to) operating transactions	2,826,004	(2,817,775)
Capital transactions:		
Cash used to acquire tangible capital assets	(6,818,152)	(7,745,822)
Financing transactions:		
Long-term liabilities issued	175,264	41,786
Increase (decrease) in temporary borrowings	(1,557,486)	1,557,486
Debt principal repayments and sinking fund contributions	(2,787,323)	(2,844,772)
Decrease in accounts receivable - approved capital funding	2,647,491	226,119
Additions to deferred capital contributions	6,738,148	7,745,822
Cash provided by financing transactions	5,216,094	6,726,441
Change in cash	1,223,946	(3,837,156)
Opening cash	1,346,772	5,183,928
Closing cash	\$ 2,570,718	\$ 1,346,772

See accompanying notes to consolidated financial statements.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies:

The consolidated financial statements of the Catholic District School Board of Eastern Ontario (the "Board") are 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:

These 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 Province 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 provided 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 included government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under 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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

As a result, revenue recognized in the statement of operations and accumulated surplus (deficit) 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.

The consolidated financial statements include the following organizations:

- (i) Student Transportation of Eastern Ontario (STEO): STEO is accounted for using the proportionate consolidation method of accounting and reporting, whereby the Board's pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the financial statements. The Board is a member of STEO with the Upper Canada District School Board. STEO is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. STEO's principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the eastern Ontario area on behalf of the member school boards.
- (ii) School generated funds: the assets, liabilities, revenues, expenses, and fund balances of various organizations that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.

Interdepartmental and inter-organizational transactions and balances are eliminated in these financial statements.

(c) Investment income:

Investment income is reported as revenue in the period earned.

Investment income earned on externally appropriated funds such as pupil accommodation, special education, energy efficient schools capital and proceeds of disposition, when required by the funding government or related Act, is added to the fund balance and forms part of the respective deferred revenue balances.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(d) Temporary investments:

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition. Investments are recorded at cost which approximates market value. Temporary investments have interest rates that range from 0.25% to .75%.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

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 cost 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:

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
Other buildings	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5-10 years

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(e) Non-financial assets (continued):

Tangible capital assets (continued):

Assets under construction 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 net realizable value. 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. Cost includes amounts for improvements to prepare the land for sale or servicing. Other assets permanently removed from service cease to be amortized and the carrying value is written down to the residual value.

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

(f) 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 expenses are incurred or services performed.

(g) 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.

(h) 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, service awards, worker's compensation and long-term disability benefits. The Board accrues its obligation for these employee benefits.

In 2013, changes were made to the Board's short-term leave and disability plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting principles (continued):

(h) Retirement and other employee future benefits (continued):

- (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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. 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 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.
- (i) Accumulated surplus – available for compliance, internally appropriated:

Certain amounts, as approved by the Board trustees, are set aside as internally appropriated funds for future operating and capital purposes. Transfers to and/or from internally appropriated funds are an adjustment to the respective fund when approved.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting principles (continued):

(j) 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(g).

(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 2012-2013 is reflected on the Consolidated Statement of Operations and Accumulated Surplus (Deficit), the budget was approved on June 19, 2012.

(l) Long-term debt:

Long-term debt is recorded net of related sinking fund asset balances.

(m) 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.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

2. Adoption of new accounting standard:

On September 1, 2012, the Board adopted Public Sector Accounting Standard *PS 3510 – Tax Revenue*. The standard was adopted retrospectively. The new standard provides guidance on the entities who are able to record tax revenue on their financial statements.

Under *PS 3510*, only the entity that levies the tax will record tax revenue in their financial statements. All other entities who receive revenue from taxes as transfers from the original taxing authority (the Province of Ontario) will record these amounts as grants in their financial statements.

As a result of adopting *PS 3510*, the Board now records the tax revenue received from Municipalities as Municipal grants.

3. Temporary borrowings:

The temporary borrowings at August 31, 2012, consisted of thirty-day bankers' acceptances bearing interest at the bank prime rate plus 0.75%.

4. Accounts receivable – Approved capital funding - Government of Ontario:

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 \$80,573,451 (2012 - \$83,220,942) as at August 31, 2013 with respect to capital grants.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

5. Net long-term liabilities:

Net long-term debt reported on the Consolidated Statement of Financial Position consists of the following:

	2013	2012
Debentures	\$ 36,965,234	\$ 38,478,550
Sinking fund debentures	8,307,170	8,307,170
Loan	34,428,798	35,404,420
	79,701,202	82,190,140
Less sinking fund assets	(2,651,397)	(2,528,276)
	\$ 77,049,805	\$ 79,661,864

Principal payments relating to net long-term liabilities of \$77,049,805 (2012 - \$79,661,864) outstanding as at August 31, 2013 are due as follows:

	Principal	Interest	Total
2013-2014	\$ 3,086,088	\$ 4,259,461	\$ 7,345,549
2014-2015	3,250,498	4,104,749	7,355,247
2015-2016	3,424,007	4,027,480	7,451,487
2016-2017	3,607,139	3,768,932	7,376,071
2017-2018	3,800,445	3,586,400	7,386,845
Thereafter	59,881,628	25,965,847	85,847,475
	\$ 77,049,805	\$ 45,712,869	\$ 122,762,674

The respective interest rates on the loan and debentures range from 4.5% to 7.2% and the respective maturity dates on the loans and debentures range from November 7, 2013 to March 9, 2038.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

6. 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 by legislation, regulation or agreement.

Deferred revenue is comprised of:

	2013	2012
By legislation, regulation or agreement:		
School Renewal	\$ 316,602	\$ 489,865
School Condition Improvement - Capital	337,429	321,440
Child Care Capital Retrofit	308,218	-
Specialized Equipment Per Pupil Amount (SEA)	1,851,649	1,775,885
Full Day Kindergarten - Special Education	239,109	133,488
Proceeds on disposition - School Buildings	295,331	295,331
	<u>3,348,338</u>	<u>3,016,009</u>
Amounts restricted by external funder	1,638,948	1,462,469
	<u>\$ 4,987,286</u>	<u>\$ 4,478,478</u>

(a) School Renewal:

The Province provides specific funding to address the costs of repairing and renovating schools.

(b) School Condition Improvement – Capital:

The Province provides specific capital funding to address the costs of improving the condition of school sites and buildings.

(c) Child Care Capital Retrofit

The Province provides specific capital funding to repurpose existing child care spaces or space not required for instruction purposes in schools, to serve children aged 0 to 3.8 years under the Schools-First Child Care Capital Retrofit Policy.

(d) Specialized Equipment Per Pupil Amount (SEA):

Specific funding is provided by the Province to support computers, software, computer-related devices and required supporting furniture identified for use by students with special education needs as well as all training and technician costs for all SEA equipment.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

6. Deferred revenue (continued):

(e) Full-Day Kindergarten – Special Education:

Specific funding is provided by the Province to support the provision of special education supports to junior and senior kindergarten students in schools offering the ministry approved full-day kindergarten programs.

(f) Proceeds on disposition – School Buildings:

The gains on disposition of deferred revenue are composed of gains generated from the sale of schools. The Board intends to use this amount to fund future capital costs related to Board facilities.

7. 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, service awards, worker's compensation and long-term disability benefits.

(a) Plan changes:

During the year, further 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 new provision was established as of August 31, 2013 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.

(i) Ontario Teacher's Pension Plan:

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

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

(b) Retirement benefits:

(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, 2013, the Board contributed \$1,785,997 (2012 - \$1,667,482) 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 gratuity benefits:

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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time increase to the Board's obligation of \$499,537 and a corresponding curtailment loss was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

(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.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

(c) Other employee future benefits (continued):

(ii) Accumulated sick leave:

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction to the obligation of \$8,259,355 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

As a result of plan changes made during 2013 to the short term leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$53,025 (2012 - \$Nil).

The accrued benefit obligation for the sick leave top-up is based on an actuarial valuation for accounting purposes as at August 31, 2013. This actuarial valuation is based on assumptions about future events.

(iii) Long-term disability life insurance:

The Board provides life insurance benefits to employees on long-term disability leave. The Board is responsible for the payment of life insurance premiums 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 not included in this plan.

(iv) Post-employment life insurance and health care benefits:

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the age of 65. The premiums are based on the Board's experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions. The changes to the Board's retirement health, life and dental plans resulted in a one-time reduction to the Board's obligation of \$12,263,685 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

(c) Other employee future benefits:

(v) Service Awards:

The Board provides a one-time service award to teachers, principals and vice-principals upon achievement of the service requirements. Effective September 1, 2012 only teachers, principals and vice-principals that have met the required three consecutive years of service as of August 31, 2012 are eligible for the one-time service award benefit. The changes to the Board's service awards resulted in a one-time reduction to the Board's obligation of \$184,214 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus (deficit) as at August 31, 2012.

The accrued benefit obligations for employee future benefit plans as at August 31, 2013 are based on the most recent actuarial valuation completed for accounting purposes as at August 31, 2013. 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:

	2013	2012
Discount rate	3.4%	3%
Salary growth	0%	0%
Dental benefits escalation	4.75% for 2013/14, reducing by ¼% in each year to an ultimate rate of 3.0%	5.0% per annum in 2012/13 reducing by ¼% in each year to an ultimate rate of 3.0%
Health benefits escalation	8.75% for 2013/14, reducing by ¼% in each year to an ultimate rate of 4.0%	9.0% for 2012/13 reducing by ¼% in each year to an ultimate rate of 4.0%

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

7. Retirement and other employee future benefits (continued):

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

	2013	2012
Accrued benefit liability, beginning of year	\$ 8,047,438	\$ 25,380,787
Expense recognized for the year:		
Current service cost	561,489	1,573,327
Amortization of actuarial gains and losses	(1,283,123)	2,151,777
Interest cost	232,083	1,005,809
	(489,551)	4,730,913
Benefits paid for the year	(1,307,498)	(1,856,545)
Changes due to plan amendment (note 7(a))	374,010	-
Changes due to plan curtailment (note 7(a))	-	(20,207,717)
Accrued benefit liability, end of year	\$ 6,624,399	\$ 8,047,438

	2013	2012
Accrued future benefit obligation, end of year	\$ 6,523,216	\$ 8,047,438
Net unamortized actuarial loss	101,183	-
Accrued benefit liability, end of year	\$ 6,624,399	\$ 8,047,438

Accrued benefit obligation:

	2013	2012
Retirement gratuity	\$ 3,572,179	\$ 3,794,832
Carry-over sick leave benefit	53,025	-
Post-retirement benefits	927,905	2,517,999
Long-term disability benefit	698,142	602,301
WSIB	1,271,965	1,132,306
Accrued benefit obligation, end of year	\$ 6,523,216	\$ 8,047,438

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

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. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	2013	2012
Opening balance, September 1	\$ 141,716,052	\$ 140,605,065
Additions to deferred capital contributions	6,738,148	7,745,822
Revenue recognized in the period	(7,145,289)	(6,634,835)
Ending balance, August 31	\$ 141,308,911	\$ 141,716,052

9. Tangible capital assets:

Cost	Balance at August 31, 2012	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2013
Land	\$ 3,546,932	\$ 80,000	\$ —	\$ 3,626,932
Land improvements	2,070,208	219,814	—	2,290,022
Buildings	183,095,006	3,091,294	2,605,375	188,791,675
Construction-in-progress	2,646,502	2,626,391	(2,605,375)	2,667,518
Portable structures	9,103,895	139,378	(135,400)	9,107,873
First-time equipping of schools	3,264,220	104,603	(669,227)	2,699,596
Furniture	393,436	—	(33,467)	359,969
Equipment	1,213,749	20,609	(77,275)	1,157,083
Computer hardware	3,197,844	536,063	(109,117)	3,624,790
Computer software	94,936	—	(41,944)	52,992
Vehicles	124,032	—	—	124,032
Total	\$ 208,750,760	\$ 6,818,152	\$ (1,066,430)	\$ 214,502,482

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

9. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2012	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2013
Land	\$ —	\$ —	\$ —	\$ —
Land improvements	307,913	175,297	—	483,210
Buildings	54,689,150	5,482,904	—	60,172,054
Construction-in-progress	—	—	—	—
Portable structures	3,858,429	464,020	(135,400)	4,187,049
First-time equipping of schools	2,198,852	298,191	(669,227)	1,827,816
Furniture	186,110	37,670	(33,467)	190,313
Equipment	322,369	132,766	(77,275)	377,860
Computer hardware	1,292,902	682,263	(109,117)	1,866,048
Computer software	73,137	14,793	(41,944)	45,986
Vehicles	102,971	14,041	—	117,012
Total	\$ 63,031,833	\$ 7,301,945	\$ (1,066,430)	\$ 69,267,348

	Net book value August 31, 2013	Net book value August 31, 2012
Land	\$ 3,626,932	\$ 3,546,932
Land improvements	1,806,812	1,762,295
Buildings	128,619,621	128,405,856
Construction-in-progress	2,667,518	2,646,502
Portable structures	4,920,824	5,245,466
First-time equipping of schools	871,780	1,065,368
Furniture	169,656	207,326
Equipment	779,223	891,380
Computer hardware	1,758,742	1,904,942
Computer software	7,006	21,799
Vehicles	7,020	21,061
Total	\$ 145,235,134	\$ 145,718,927

Included in the disposals, write-offs and adjustments column are adjustments of \$1,066,430 (2012 - \$219,653) for the deemed disposal of assets.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

10. Debt charges and capital loans interest:

The payments made for debt charges and capital loans include principal and interest payments as follows:

	2013	2012
Debt principal repayments and sinking fund contributions	\$ 2,787,323	\$ 2,844,772
Interest payments on long-term liabilities	4,400,035	4,536,134
	\$ 7,187,358	\$ 7,380,906

11. Expenses by object:

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

	2012-2013 Budget	2012-2013 Actual	2011-2012 Actual
Expenses by object:			
Salary and wages	\$ 109,906,250	\$ 111,187,432	\$ 111,643,260
Employee benefits	15,259,098	13,981,042	17,190,033
Staff development	329,270	893,617	889,098
Supplies and services	14,173,687	13,301,509	13,619,654
Interest	4,370,344	4,384,084	4,522,320
Rental expenses	46,700	69,109	48,296
Fees and contract services	17,862,970	16,098,163	16,180,098
Other	469,295	772,664	630,838
Amortization of tangible capital assets	7,132,987	7,301,947	6,791,492
	169,550,601	167,989,567	171,515,089
Employee benefits plan curtailment (note 7)	-	-	(20,207,717)
	\$ 169,550,601	\$ 167,989,567	\$ 151,307,372

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

12. 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.

The ultimate premiums over a five-year period are based on the reciprocal's 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.

13. Commitments and contingent liabilities:

(a) Litigation:

The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

(b) Guarantees:

The Board has guaranteed work relating to their capital projects with the respective municipalities in the amount of \$40,000.

(c) Contractual obligations:

The Board has a total of \$1,711,436 of contractual obligations at year end relating to the construction or renovation of buildings.

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

14. Accumulated surplus:

Accumulated surplus consists of the following:

	2013	2012
Available for compliance – unappropriated		
Total operating accumulated surplus	\$ 1,439,081	\$ 2,033,613
Available for compliance – internally appropriated		
Workers' Safety Insurance Board (WSIB)	296,467	296,467
School renewal	233,810	233,810
School budget carryover	235,453	198,637
Student success	–	112,417
ICT WAN	49,992	–
Assistive technology	33,585	33,585
Assessment	54,271	54,271
Educational support professional development	113,778	122,146
Sinking Fund Interest – not committed	991,614	1,043,977
Sinking Fund Interest – committed	68,360	70,892
Elementary Professional Learning	29,121	62,354
Great West Life ASO plan	1,219,859	1,326,738
50% Vacation Accrual	–	138,435
Student Transportation of Eastern Ontario	204	204
Total accumulated surplus available for compliance	4,765,595	5,727,546
Unavailable for compliance		
Employee future benefits	(6,582,831)	(8,047,438)
Interest to be accrued	(1,281,612)	(1,322,590)
Vacation accrued	–	(138,434)
School generated funds (note 15)	1,309,556	1,366,845
Revenue recognized for land	3,626,932	3,546,932
Total accumulated surplus unavailable for compliance	(2,927,955)	(4,594,685)
Total accumulated surplus	\$ 1,837,640	\$ 1,132,861

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

15. School Generated Funds:

	2012-2013 Budget	2012-2013 Actual	2011-2012 Actual
Revenues:			
School fundraising and other	\$ 4,985,007	\$ 4,784,500	\$ 5,152,295
Expenses:			
School funded activities	4,987,601	4,841,789	5,155,393
Annual deficit	(2,594)	(57,289)	(3,098)
Opening accumulated surplus – school generated funds	1,367,349	1,366,845	1,369,943
Closing accumulated surplus – school generated funds	\$ 1,364,755	\$ 1,309,556	\$ 1,366,845

16. Transportation consortium:

The Board is a member of the Student Transportation of Eastern Ontario (“STEO”) consortium with the Upper Canada District School Board, effective February 1, 2012. The consortium will provide joint governance and administration of student transportation services provided to students registered with the two member boards. Related party transactions and balances with STEO include the following:

- (i) The Board paid STEO \$14,767,608 for student transportation services in the year.
- (ii) The Board has a receivable from STEO of \$83,701 for student transportation services.

STEO’s assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2013 are as follows:

	2013	2012
Financial assets	\$ 2,487,156	\$ 286,567
Financial liabilities	2,919,735	761,239
Net debt	(432,579)	(474,672)
Non-financial assets	433,196	475,289
Accumulated surplus	\$ 617	\$ 617

CATHOLIC DISTRICT SCHOOL BOARD OF EASTERN ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

16. Transportation consortium (continued):

	2013	2012
Revenue	\$ 36,277,784	\$ 18,868,525
Expenses	36,277,784	18,867,908
Annual surplus	\$ –	\$ 617

The Board records \$Nil (2012- \$204) of STEO's surplus in the statement of operations and accumulated surplus (deficit). The remaining \$413 is recorded by the Upper Canada District School Board.

17. Repayment of "55 School Board Trust" funding:

On June 1, 2003, the Board received \$5,138,566 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position.