The Niagara Catholic District School Board through the charisms of faith, social justice, support and leadership, nurtures an enriching Catholic learning community for all to reach their full potential and become living witnesses of Christ.

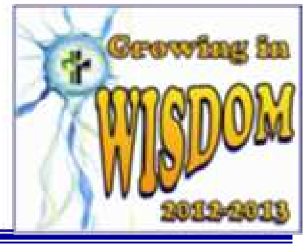
AGENDA AND MATERIAL

SPECIAL BOARD MEETING

TUESDAY, NOVEMBER 13, 2012
9:00 P.M.

(Following the Committee of the Whole Meeting)

FATHER KENNETH BURNS, C.S.C. BOARD ROOM
CATHOLIC EDUCATION CENTRE, WELLAND, ONTARIO



A. ROUTINE MATTERS

1.	Opening Prayers – Trustee Nieuwesteeg	-
2.	Roll Call	-
3.	Approval of the Agenda	-
4.	Declaration of Conflict of Interest	-

B. COMMITTEE & STAFF REPORTS

1.	2011-2012 Audited Financial Statements	B1

C. IN CAMERA SESSION

D. REPORT ON THE IN CAMERA SESSION

E. MOMENT OF SILENT REFLECTION FOR LIFE

F. ADJOURNMENT

BOARD BY-LAWS EXCERPT

Special Meetings of the Board

Special meetings of the Board shall be held by order of the Board, on the written request of three (3) trustees, to the Chairperson or the Director, on the call of the Chairperson, or at the request of the Director of Education. The trustees shall be given a twenty four (24) hour notice for special meetings except in emergency situations. Such meetings shall be called for specific reasons. Such subjects shall be stated in the notice calling the meeting. Notwithstanding any other provisions to the Board's By-Laws, no other business shall be considered at a special meeting other than the subjects stated in the notice.

TO: **NIAGARA CATHOLIC DISTRICT SCHOOL BOARD**
SPECIAL BOARD MEETING
NOVEMBER 13, 2012

PUBLIC SESSION

TOPIC: **2011-2012 AUDITED FINANCIAL STATEMENTS**

RECOMMENDATION

THAT the Niagara Catholic District School Board approve the 2011-2012 Audited Financial Statements, as presented.

Prepared by:	Larry Reich, Superintendent of Business & Financial Services Senior Administrative Council
Presented by:	Audit Committee
Approved by:	Audit Committee
Date:	October 23, 2012

NIAGARA CATHOLIC
DISTRICT SCHOOL BOARD

REPORT TO THE SPECIAL BOARD MEETING
NOVEMBER 13, 2012

2011-2012 AUDITED FINANCIAL STATEMENTS

BACKGROUND INFORMATION

On an annual basis, school boards are required to submit Audited Financial Statements and Related Forms for the current year to the Ministry of Education.

As required by the Ministry of Education, the Audit Committee reviewed the 2011-2012 Audited Financial Statements, which were presented by the External Auditors.

After review and discussion, the members of the Audit Committee agreed to approve the 2011-2012 Audited Financial Statements and, accordingly, to recommend that the Niagara Catholic District School Board approve the 2011-2012 Audited Financial Statements

We confirm that the 2011-2012 Financial Statements were prepared in compliance with the guidelines and regulations issued by the Ministry of Education, with the exception of the Board Administration Envelope, which was overspent by a total of $1,183,129. The Board may be required to submit to the Ministry of Education a plan, which will eliminate the above-mentioned Board Administration over-expenditure.

The 2011-2012 Audited Financial Statements and related Schedules will be submitted to the Ministry of Education on November 14, 2012. A full copy of the 2011-2012 Audited Financial Statements and Related Forms will be available for the review of the Trustees at their convenience.

A copy of the final DRAFT of the 2011-2012 Audited Financial Statements and the related Audit Letters are hereby attached for the review of the Trustees.

RECOMMENDATION

THAT the Niagara Catholic District School Board approve the 2011-2012 Audited Financial Statements, as presented.

Prepared by:	Larry Reich, Superintendent of Business & Financial Services Senior Administrative Council
Presented by:	Audit Committee
Recommended by:	Audit Committee
Date:	November 13, 2012

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swallow

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Financial Statements

August 31, 2012

crawford smith & swallow

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

Consolidated Financial Statements

August 31, 2012

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NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

MANAGEMENT REPORT

August 31, 2012

The accompanying consolidated financial statements of the Niagara Catholic District School Board are the responsibility of the Board's management and 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, as described in Note 1(a) 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 Crawford, Smith and Swallow Chartered Accountants 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	Chief Financial Officer
Mr. John Crocco	Mr. Larry Reich, CA

Crawford, Smith and Swallow
Chartered Accountants LLP

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St. Catharines, Ontario
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swallow

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Niagara Catholic District School Board, which comprise the consolidated statements of financial position as at August 31, 2012 and August 31, 2011, the consolidated statements of operations and accumulated surplus, cash flows and change in net debt for the years then ended and 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(a) 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements of the Niagara Catholic District School Board as at and for the years ended August 31, 2012 and August 31, 2011 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

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

Niagara Falls, Ontario

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP
LICENSED PUBLIC ACCOUNTANTS

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

August 31, 2012

	2012 $	2011 $
Financial Assets		
Cash	18,528,842	23,844,012
Accounts receivable	12,088,500	8,558,140
Accounts receivable - Province of Ontario approved capital - note 2	88,434,774	87,332,310
	119,052,116	119,734,462
Contingent Liabilities - note 13		
Financial Liabilities		
Accounts payable and accrued liabilities	13,930,405	9,094,421
Deferred revenue - note 3	8,018,737	11,804,866
Employee future benefits - note 5	10,699,825	19,385,308
Net long-term liabilities - note 6	93,972,980	95,502,807
Deferred capital contributions - note 4	158,150,816	147,621,703
	284,772,763	283,409,105
Net Debt	(165,720,647)	(163,674,643)
Non-Financial Assets		
Tangible capital assets - schedule 1	179,697,643	169,971,529
Prepaid expense	52,610	16,817
	179,750,253	169,988,346
Accumulated Surplus - note 7	**14,029,606**	**6,313,703**

Signed on behalf of the Board:

________________________ Chairperson of the Board

________________________ Director of Education

See accompanying notes

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENTS OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended August 31, 2012

	Budget $	2012 $	2011 $
Revenues			
Local taxation	47,864,485	45,576,968	47,261,287
Provincial legislative grants	182,371,174	188,595,526	177,050,823
Provincial grants - other	5,312,695	6,790,085	5,973,217
Federal grants and fees	406,503	435,059	380,151
Other fees and revenue	1,813,601	2,815,932	2,278,520
Investment income	553,393	315,328	277,966
School fundraising	9,000,000	8,233,421	8,331,425
Amortization of deferred capital contributions	8,261,336	8,199,692	7,612,553
	255,583,187	260,962,011	249,165,942
Expenditures			
Instruction	195,534,133	191,066,265	191,664,793
Administration	7,558,014	7,943,899	7,900,417
Transportation	10,151,206	10,390,900	10,369,883
Pupil accommodation	34,919,518	35,730,341	36,378,528
Other operating expenses	117,487	117,487	117,487
School funded activities	9,000,181	7,997,216	8,532,268
	257,280,539	253,246,108	254,963,376
Annual Surplus (Deficit)	(1,697,352)	7,715,903	(5,797,434)
Accumulated Surplus, Beginning of Year	6,313,703	6,313,703	12,111,137
Accumulated Surplus, End of Year	**4,616,351**	**14,029,606**	**6,313,703**

See accompanying notes

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the year ended August 31, 2012

	2012 $	2011 $
Operations		
Annual surplus (deficit)	7,715,903	(5,797,434)
Sources (Uses)		
Change in accounts receivable	(3,530,360)	1,561,898
Change in accounts receivable - Province of Ontario approved capital	(1,102,464)	(2,308,327)
Change in prepaid expenses	(35,793)	38,898
Change in accounts payable and accrued liabilities	4,835,984	(2,744,498)
Change in deferred revenue	(3,786,129)	3,228,760
Change in employee future benefits	(8,685,483)	338,954
	(12,304,245)	115,685
Non-cash charges to operations		
Amortization of tangible capital assets	8,493,372	8,063,080
Loss on disposal of tangible capital assets	347,057	224,907
Amortization of deferred capital contributions	(8,199,691)	(7,612,553)
	640,738	675,434
Net decrease in cash from operations	(3,947,604)	(5,006,315)
Capital		
Acquisition of tangible capital assets	(18,568,238)	(17,939,385)
Proceeds on disposal of tangible capital assets	1,695	-
Net additions to deferred capital contributions	18,728,804	18,552,630
Net increase in cash from capital activities	162,261	613,245
Financing		
Long-term debentures issued	6,947,642	8,177,838
Debt repayments and sinking fund contributions	(8,477,469)	(3,279,834)
Net increase (decrease) in cash from financing	(1,529,827)	4,898,004
Increase (Decrease) in Cash Position	(5,315,170)	504,934
Cash Position, Beginning of Year	23,844,012	23,339,078
Cash Position, End of Year	**18,528,842**	**23,844,012**

See accompanying notes

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENTS OF CHANGE IN NET DEBT

for the year ended August 31, 2012

	2012 $	2010 $
Annual Surplus (Deficit)	7,715,903	(5,797,434)
Acquisition of Tangible Capital Assets	(18,568,238)	(17,939,385)
Amortization of Tangible Capital Assets	8,493,372	8,063,080
Loss on Disposal of Tangible Capital Assets	347,057	224,907
Proceeds on Disposal of Tangible Capital Assets	1,695	-
Change in Prepaid Expenses	(35,793)	38,898
Increase in Net Debt	(2,046,004)	(15,409,934)
Net Debt, Beginning of Year	(163,674,643)	(148,264,709)
Net Debt, End of Year	**(165,720,647)**	**(163,674,643)**

See accompanying notes

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended August 31, 2012

1. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

(a) Basis of accounting

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

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the 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 consolidated statements of operations and accumulated surplus over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect to 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 depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

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

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

1. Significant Accounting Policies - continued

(a) Basis of accounting - continued

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

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the Board comply with the related accounting policy requirements described above. Prior to the release of this Regulation, the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first consolidated financial statements of the Board 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 ("new financial reporting framework"). The Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the consolidated statements of financial position as at August 31, 2011 or the annual surplus on the consolidated statements of operations and accumulated surplus for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

(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.

School generated funds, which include assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

The following entities are consolidated with the Board:

Niagara Student Transportation Services Consortium
School Generated Funds

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(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.

1. Significant Accounting Policies - continued

(d) Cash and cash equivalents

Cash and cash equivalents comprise 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) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to the acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

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

Asset Class		Period	Basis
General Assets			
Land	-	NIL	
Land improvements	-	15 years	straight line
Buildings	-	40 years	straight line
Portable structures	-	20 years	straight line
Equipment	-	5-15 years	straight line
First-time equipping	-	10 years	straight line
Furniture	-	10 years	straight line
Computer hardware	-	5 years	straight line
Computer software	-	5 years	straight line
Vehicles	-	5years	straight line

Assets under construction and assets that relate 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 statements of financial position.

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

1. Significant Accounting Policies - continued

(f) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of 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.

(g) Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, future paid sick leave benefits, retirement gratuity, workers' compensation and long-term disability benefits. On September 11, 2012, the Government of Ontario passed Bill 115, "Putting Students First Act" which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plans. The Board has adopted the following 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 during employment and at retirement, insurance and health care cost 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 are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be amortized over the expected average remaining service 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 the employees, such as future paid sick leave benefits or retirement gratuities, the cost is actuarially determined using projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

1. **Significant Accounting Policies** - continued

(g) Retirement and other employee future benefits - continued

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' 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.

(h) 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 capital that meet the definition of a liability are referred to as deferred capital contributions ("DCC"). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(i) 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 pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

(j) Long-term debt

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

(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 budget figures are unaudited.

1. Significant Accounting Policies - continued

(l) Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1(a) requires management to make estimates and assumptions that affect the reported amounts 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. Accounts subject to significant estimates include accounts receivable, accounts receivable - Province of Ontario, accounts payable and accrued liabilities and employee future benefits. Actual results could differ from these estimates.

2. Accounts Receivable - Province of Ontario

The Province of Ontario (the "Province") 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 accounts receivable from the Province of $ 88,434,774 as at August 31, 2012 (2011 - $ 87,332,310) with respect to capital grants.

3. Deferred Revenue

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statements of financial position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2012 is comprised of:

	Balance, as at August 31, 2011	Externally Restricted Revenue and Investment Income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance, as at August 31, 2012
	$	$	$	$	$
Proceeds of disposition	4,783,700	-	-	-	4,783,700
Green schools pilot	4,313	-	(4,313)	-	-
Special education	290,336	468,054	(56,489)	-	701,901
Energy efficient schools - operating	10,522	-	-	-	10,522
Energy efficient schools - capital	5,837,997	5,125,257	-	(10,395,152)	568,102
School renewal	-	3,481,214	(1,505,502)	(1,579,051)	396,661
School condition improvement	-	1,840,890	-	(1,794,081)	46,809
Others	877,998	5,114,453	(4,481,409)	-	1,511,042
Total Deferred Revenue	**11,804,866**	**16,029,868**	**(6,047,713)**	**(13,768,284)**	**8,018,737**

4. 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. These contributions are amortized into revenue over the life of the asset acquired.

	2012 $	2011 $
Balance, beginning of year	147,621,703	136,681,626
Additions to deferred capital contributions	18,425,994	17,920,894
Recognition of deferred revenue related to prior eligible capital expenses	801,863	1,739,079
Revenue recognized in the period	(8,199,691)	(7,612,553)
Unsupported capital spending	(499,053)	(1,107,343)
Balance, end of year	**158,150,816**	**147,621,703**

5. Employee Future Benefits

	2012 $	2011 $
Future paid sick leave benefits	-	11,139,505
Retirement gratuities	7,417,869	4,956,974
Retirement health care benefits	398,515	282,846
Long-term disability health care benefits	1,426,378	1,630,262
WSIB - Schedule II future liability	1,457,063	1,105,120
Vacation pay	-	270,601
	10,699,825	**19,385,308**

Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of Ontario Teachers' 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.

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, 2012, the Board contributed $ 2,934,333 (2011 - $ 2,306,994) 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.

Future Paid Sick Leave Benefits

The Board previously allowed for the accumulation of sick days for certain groups of employees hired after specified dates up to an allowable maximum provided in their employment agreements. Accumulated credits could have been used in future years to the extent that the duration of the employee's illness or injury exceeded the current year's allocation of credits. The use of accumulated sick days for sick leave compensation ceases on termination of employment. Effective September 1, 2012, the accumulated sick leave plans that previously existed have been terminated and replaced by a new non-accumulating sick leave plan. The changes to the Board's accumulated sick leave plan resulted in a one-time decrease to the Board's obligation of $ 15,597,730 and a corresponding curtailment gain was reported in the consolidated statements of operations and accumulated surplus as at August 31, 2012.

5. Employee Future Benefits - continued

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. In the prior year, the amount of the 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 as 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 $ 1,425,101 and a corresponding curtailment loss was reported in the consolidated statements of operations and accumulated surplus as at August 31, 2012.

Retirement Health Care Benefits

The Board continues to provide dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board's experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to this 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 dental and health plans resulted in a one-time increase to the Board's obligation of $ 90,151 and a corresponding curtailment loss was reported in the consolidated statements of operations and accumulated surplus as at August 31, 2012.

Long-Term Disability Health Care Benefits

The Board provides dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment of 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 not included in this plan.

WSIB - Schedule II Future Liability

The Board is a Schedule II 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. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from WSIB, where previously negotiated collective agreement included such provision. This resulted in a one-time increase to the Board's obligation of $ 207,948 as at August 31, 2012. A reserve has been established for this liability. The balance as at August 31, 2012 is $ 928,687 (2011 - $ 928,687).

5. Employee Future Benefits - continued

Future paid sick leave benefits:

	2012 $	2011 $
Employee benefit plan assets	-	-
Employee benefit plan liabilities	-	11,139,505
Employee benefit plan deficit	-	**11,139,505**

	2012 $	2011 $
Accrued benefit obligation, beginning of year	11,139,505	10,431,228
Benefit cost and interest	1,492,758	1,463,906
Change due to plan curtailment	(15,597,730)	-
Amortized loss	4,089,051	259,931
Benefits paid during the year	(1,123,584)	(1,015,560)
Accrued benefit obligation, end of year	-	**11,139,505**

Retirement gratuities:

	2012 $	2011 $
Employee benefit plan assets	-	-
Employee benefit plan liabilities	7,417,869	4,956,974
Employee benefit plan deficit	**7,417,869**	**4,956,974**

	2012 $	2011 $
Accrued benefit obligation, beginning of year	4,956,974	5,255,414
Benefit cost and interest	554,384	569,705
Change due to plan curtailment	1,425,101	-
Amortized loss	1,172,568	111,253
Benefits paid during the year	(691,158)	(979,398)
Accrued benefit obligation, end of year	**7,417,869**	**4,956,974**

5. Employee Future Benefits - continued

Retirement health care benefits:

	2012 $	2011 $
Employee benefit plan assets	-	-
Employee benefit plan liabilities	398,515	282,846
Employee benefit plan deficit	**398,515**	**282,846**

	2012 $	2011 $
Accrued benefit obligation, beginning of year	282,846	296,453
Benefit cost and interest	20,023	21,487
Change due to plan curtailment	90,151	-
Amortized loss	29,665	-
Benefits paid during the year	(24,170)	(35,094)
Accrued benefit obligation, end of year	**398,515**	**282,846**

Long-term disability health care benefits:

	2012 $	2011 $
Employee benefit plan assets	-	-
Employee benefit plan liabilities	1,426,378	1,630,262
Employee benefit plan deficit	**1,426,378**	**1,630,262**

	2012 $	2011 $
Accrued benefit obligation, beginning of year	1,630,262	1,296,119
Expense for the year	(2,089)	533,491
Benefits paid during the year	(201,795)	(199,348)
Accrued benefit obligation, end of year	**1,426,378**	**1,630,262**

5. Employee Future Benefits - continued

WSIB Schedule II future liability:

	2012 $	2011 $
Employee benefit plan assets	-	-
Employee benefit plan liabilities	1,457,063	1,105,120
Employee benefit plan deficit	**1,457,063**	**1,105,120**

	2012 $	2011 $
Accrued benefit obligation, beginning of year	1,105,120	1,481,278
Expense for the year	415,364	(64,516)
Benefits paid during the year	(271,369)	(311,642)
Change due to plan curtailment	207,948	-
Accrued benefit obligation, end of year	**1,457,063**	**1,105,120**

Plan Changes

On September 11, 2012, the Government of Ontario passed Bill 115, "Putting Students First Act". As a result, employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short-term disability plan with no provisions for accumulation of unused days.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012/13. Effective September 1, 2013, any new retiree accessing retirement life insurance and health care benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2012 are based on the most recent actuarial valuations completed for accounting purposes. These valuations take into account the plan changes outlined above and the economic assumptions used in the valuations are the Board's best estimates of expected rates of:

General Inflation - Future general inflation levels were assumed to be 2% (2011 - 2%).

Interest (Discount) Rate - The present value of future liabilities and the expense were determined using a discount rate of 3% (2011 - 4%).

Wage and Salary Escalation - There is no salary increase assumption required as the benefit is based on August 31, 2012 salaries.

6. Net Long-Term Debt

Debenture debt and capital loans reported on the consolidated statements of financial position comprises of the following:

	2012 $	2011 $
Unmatured debenture debt	88,082,775	84,578,891
Sinking fund debentures	6,974,000	12,841,325
Less: Sinking fund assets	(1,083,795)	(1,917,409)
	93,972,980	**95,502,807**

The net long-term debt outstanding bears interest at annual rates ranging from 4.56% to 8.75% maturing between 2015 and 2036. Principal and interest payments relating to net debenture debt and capital loans of $ 93,972,980 outstanding as at at August 31, 2012 are due as follow:

	Principal and Sinking Fund Contributions $	Interest $	Total $
2012	4,073,621	5,062,098	9,135,719
2013	8,573,822	4,715,622	13,289,444
2014	3,631,585	4,353,544	7,985,129
2015	4,744,188	4,085,999	8,830,187
2016	3,863,291	3,821,399	7,684,690
Thereafter	69,086,473	26,708,751	95,795,224
	93,972,980	**48,747,413**	**142,720,393**

Included in net debenture debt are outstanding sinking fund debentures of $ 6,974,000 (2011 - $ 12,841,325) secured by sinking fund assets with a carrying value of $ 1,083,795 (market value - $ 1,917,409). Sinking fund assets are comprised of bank deposits.

7. Accumulated Surplus

	2012 $	2010 $
Available for Compliance		
Operating fund	4,190,045	5,189,797
Available for Compliance - Internally Appropriated		
Reserves and reserve funds	11,832,705	11,724,641
Unavailable for Compliance		
Amounts to be recovered - employee future benefits	(10,835,125)	(19,385,308)
Interest accrued	(321,041)	-
School activities fund	2,142,999	1,906,794
Revenues recognized for land purchases	7,020,023	6,877,779
	(1,993,144)	(10,600,735)
	14,029,606	**6,313,703**

8. Trust Funds

	2012 $	2011 $
Larkin Award Fund	5,653	7,643
Kristen French Scholarship Fund	124,260	125,966
Marion Oakley Fund	5,415	5,355
Nicole Longe Memorial Fund	6,754	6,878
James and Anna McGarry	8,148	8,258
Teachers Finance Leave Plan	1,250,192	1,014,128
Michael and Isabelle Moran	51,445	52,376
Hugo and Corrinne Massotti	52,818	54,727
	1,504,685	**1,275,331**

9. Debt Charges and Capital Loan Interest

The expenditure for debt charges and capital loan interest includes principal, sinking fund contributions and interest payments as follows:

	2012 $	2011 $
Principal payments on long-term capital loans and sinking fund contributions	8,477,469	3,279,834
Interest payments on long-term capital loans	5,614,720	5,268,653
	14,092,189	**8,548,487**

10. Expenditures by Object

The following is a summary of the expenses reported on the consolidated statements of operations and accumulated surplus by object:

	2012 $	2011 $
Current expenditures:		
Salaries and wages	180,538,252	173,607,073
Employee benefits	19,216,753	26,806,676
Staff development	485,621	656,977
Supplies and services	17,851,093	19,211,793
Interest	5,614,720	5,268,653
Rental expenditures	450,000	470,447
Fee and contract services	12,252,024	12,121,502
	236,408,463	238,143,121
Amortization of tangible capital assets and write-downs	8,840,429	8,287,987
School funded activities	7,997,216	8,532,268
Total expenditures by object	**253,246,108**	**254,963,376**

11. Ontario School Board Insurance Exchange

The 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 $ 20,000,000 per occurrence.

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, 2012.

12. Related Party Transactions

Related party transactions during the year not separately disclosed in the consolidated financial statements include the following:

An amount of $ 146,720 has been received from the Niagara Foundation for Catholic Education and recorded net of related expenditures.

13. Contractual Obligations and Contingent Liabilities

Legal

As at August 31, 2012, the Board has certain legal claims outstanding. It is management's assertion that adequate insurance coverage's are in effect for the settlement of these claims, if necessary.

Letters of Credit

The Board has authorized letters of credit in favour of the City of Welland in the amount of $ 81,000, the Town of Grimsby in the amount of $ 887,560, the City of St. Catharines in the amount of $ 43,187, the Town of Lincoln in the amount of $ 43,800, Horizon Utilities in the amount of $ 25,362, the City of Niagara Falls in the amount of $ 5,000, the Town of Niagara-on-the-Lake in the amount of $ 5,000, and Ontario Power Authority in the amount of $ 2,500. All of these letters of credit relate to site plan deposits. These letters of credit are covered under the security as described under credit facilities in note 15.

14. Commitments

Capital Expenditures

The Board is committed to spending approximately $ 20,000,000 on capital projects in the following year.

Lease Obligations

The Board is committed to make the following minimum future lease payments under several operating leases over the next five years:

	$
2012 -	639,036
2013 -	321,118
2014 -	155,102
2015 -	102,804
2016 -	89,932

15. Credit Facilities

The Board has two facilities available at any time for use. Credit facility #1 is a revolving demand operating credit available in the amount of $ 12,000,000 for use for current expenditures only and bears interest at prime less 1/2%. Credit facility #2 is a revolving demand instalment loan in the amount of $ 500,000 to finance capital expenditures which would bear interest at prime. Further, the Board has a $ 230,000 Corporate VISA and $ 900,000 VISA purchase card credit facility available. As at August 31, 2012, $ 9,732,700 has been drawn upon by way of a bank overdraft against credit facility #1 and $ 1,093,409 by way of letters of credit as per note 13 against credit facility #1 and NIL against credit facility #2. Security is by way of executed by-laws in compliance with applicable legislative requirements.

16. Niagara Student Transportation Services Consortium

On March 6, 2007, the Board entered into an agreement with the District School Board of Niagara ("DSBN") to provide common administration of student transportation services. On March 9, 2007, Niagara Student Transportation Services ("NSTS") was incorporated under the Corporations Act of Ontario. Each Board participates in the shared costs associated with this service for the transportation of their respective students through NSTS. No Board is in a position to exercise unilateral control.

The entity is proportionately consolidated in the Board's consolidated financial statements to reflect the Board's pro-rata share of assets, liabilities, revenues and expenses. Inter-organizational transactions and balances between these organizations are eliminated.

17. Subsequent Event

On September 11, 2012, the Government of Ontario passed Bill 115, the "Putting Students First Act" that was introduced August 27, 2012. The requirements of this new legislation was used by the actuaries in the calculations of the Board's estimates for retirement and other employee future benefit obligations. The impact of the changes to the various plans have been disclosed in note 5.

NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS

Schedule 1

for the year ended August 31, 2012

	Cost				Accumulated Amortization				
	Balance, Beginning of Year	Additions	Disposals	Balance, End of Year	Balance, Beginning of Year	Amortization	Disposals	Balance, End of Year	Net Book Value
	$	$	$	$	$	$	$	$	$
Land	6,877,778	142,244	-	7,020,022	-	-	-	-	7,020,022
Land improvements	3,753,902	1,303,824	-	5,057,726	1,072,576	294,848	-	1,367,424	3,690,302
Buildings	209,511,708	12,873,686	637,713	221,747,681	64,914,541	6,497,965	323,193	71,089,313	150,658,368
Portable structures	4,169,600	-	149,800	4,019,800	2,910,893	210,598	115,568	3,005,923	1,013,877
Equipment	1,046,443	357,836	49,067	1,355,212	361,406	240,165	49,067	552,504	802,708
First-time equipping	3,768,075	169,578	1,240,330	2,697,323	2,790,389	323,270	1,240,330	1,873,329	823,994
Furniture	32,926	47,310	-	80,236	22,502	5,658	-	28,160	52,076
Computer hardware	4,219,808	283,777	1,168,581	3,335,004	2,088,383	755,481	1,168,581	1,675,283	1,659,721
Computer software	752,920	5,846	145,367	613,399	433,920	136,632	145,367	425,185	188,214
Vehicles	82,615	70,134	1,571	151,178	25,807	28,755	1,571	52,991	98,187
Construction in progress	10,376,171	12,287,490	8,973,487	13,690,174	-	-	-	-	13,690,174
August 31, 2012	**244,591,946**	**27,541,725**	**12,365,916**	**259,767,755**	**74,620,417**	**8,493,372**	**3,043,677**	**80,070,112**	**179,697,643**
Land	6,859,287	18,491	-	6,877,778	-	-	-	-	6,877,778
Land improvements	2,744,828	1,009,074	-	3,753,902	855,808	216,768	-	1,072,576	2,681,326
Buildings	191,446,825	19,145,814	1,080,931	209,511,708	59,681,394	6,089,171	856,024	64,914,541	144,597,167
Portable structures	4,903,757	-	734,157	4,169,600	3,412,756	232,294	734,157	2,910,893	1,258,707
Equipment	755,657	369,302	78,516	1,046,443	259,712	180,210	78,516	361,406	685,037
First-time equipping	3,630,116	289,518	151,559	3,768,075	2,572,038	369,910	151,559	2,790,389	977,686
Furniture	32,926	-	-	32,926	19,209	3,293	-	22,502	10,424
Computer hardware	3,784,162	1,453,119	1,017,473	4,219,808	2,305,459	800,397	1,017,473	2,088,383	2,131,425
Computer software	821,696	89,010	157,786	752,920	434,244	157,462	157,786	433,920	319,000
Vehicles	106,900	-	24,285	82,615	36,517	13,575	24,285	25,807	56,808
Construction in progress	14,811,114	11,025,239	15,460,182	10,376,171	-	-	-	-	10,376,171
August 31, 2011	**229,897,268**	**33,399,567**	**18,704,889**	**244,591,946**	**69,577,137**	**8,063,080**	**3,019,800**	**74,620,417**	**169,971,529**

See accompanying notes

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crawford smith & swallow

November 13, 2012

CRAWFORD, SMITH & SWALLOW
Chartered Accountants LLP
DRAFT
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO AMENDMENT

Board of Trustees
Niagara Catholic District School Board
427 Rice Road
Welland, Ontario
L3C 7C1

Dear Members of the Board of Trustees:

We have now completed our examination of the consolidated financial statements of the Niagara Catholic District School Board for the year ended August 31, 2012.

Scope of Examination

As stated in our report dated November 13, 2012 addressed to the Board of Trustees of the Niagara Catholic District School Board, the consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In our opinion, the consolidated financial statements of the Niagara Catholic District School Board for the year ended August 31, 2012 are presented fairly, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

We were provided with full co-operation and no limitations of any kind were placed on the scope of our examination.

Intent of the Management Letter

The post audit management letter is intended to provide an additional professional service of the auditor as a direct by-product of the audit. We are pleased to offer the comments that follow as a service to the Niagara Catholic District School Board.

The management letter should communicate the following general explanations:

- the recommendations arise out of normal audit work related to the expression of an opinion on the financial statements and do not constitute a complete report on internal control;
- normal audit work will not detect all internal control weaknesses;
- the audit procedures performed were as extensive as necessary for audit report purposes;

- suggestions or comments concern systems only and are not intended to reflect on the competence or integrity of personnel;
- there are inherent limitations to any system of internal control;
- internal controls should be evaluated annually.

Current Observations

We have no observations that would be considered to be significant in nature. However, we refer you to our accountants comments directed to Mr. Lawrence Reich, Superintendent of Business & Financial Services which details issues considered to be minor in nature.

This communication is prepared solely for the information of the Niagara Catholic District School Board and is not intended for any other purpose. We accept no responsibility to a third party that relies on this communication.

We would like to take this opportunity to thank the staff for all their assistance and co-operation during our audit. Should you wish to discuss the above matters further, please contact our office at your convenience.

Yours very truly,

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP

CRAWFORD, SMITH & SWALLOW
Chartered Accountants LLP
DRAFT
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO AMENDMENT

Mark Palumbi, CA
Partner

MP*gz

c.c. Mr. J. Crocco, Director of Education/Secretary Treasurer
Mr. L. Reich, Superintendent of Business & Financial Services

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crawford smith & swallow

November 13, 2012

CRAWFORD, SMITH & SWALLOW
Chartered Accountants LLP
DRAFT
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO AMENDMENT

Board of Trustees
Niagara Catholic District School Board
427 Rice Road
Welland, Ontario
L3C 7C1

Dear Members of the Board of Trustees:

The following is the communication of matters arising from the audit of Niagara Catholic District School Board for the year ended August 31, 2012 required under Canadian Auditing Standards 260 and 265 of the CICA Handbook. This list is not meant to be all-inclusive, nor in any way to restrict the communication of other matters.

Completion of External Audit

The responsibilities of the auditors in relation to the consolidated financial statements is to form and express an opinion on the consolidated financial statements which have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. We have expressed an unqualified opinion as to whether the consolidated financial statements present fairly in accordance with Board of Trustees the financial position, results of operations and cash flows of the Board.

The interim audit was performed during a two week period in September, 2012. The year end audit was performed from October 3, 2012 until November 13, 2012.

Fraud

Auditors' Responsibilities Relating to Fraud in an Audit of Financial Statements, CICA Handbook CAS 240, defines fraud as "an intentional act by one or more individuals among management, employees, those charged with governance, or third parties, involving the use of deception to obtain an unjust or illegal advantage". Although fraud is a broad legal concept, the auditor is concerned with fraudulent acts that cause a material misstatement in the financial statements. Misstatement of the financial statements may not be the objective of some frauds, and misappropriation of assets may not necessarily result in a misstatement of the financial statements. Auditors do not make legal determinations of whether fraud has actually occurred.

Fraud involving one or more members of management or those charged with governance is referred to as "management fraud"; fraud involving only employees of the entity is referred to as "employee fraud". In either case, there may be collusion with third parties outside the entity.

We confirm that there were no findings of fraud.

Consideration of Laws and Regulations

Consideration of Laws and Regulations in an Audit of Financial Statements, CICA Handbook CAS 250 states that the term "non-compliance" means "acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity, or on its behalf, by those charged with governance, management or employees. Non-compliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management or employees of the entity." As explained in CICA CAS 250, auditors conducting an audit in accordance with Canadian generally accepted auditing standards must obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry of sector in which the entity operates and how the entity is complying with that framework. To do this the auditors inquire of management, and where appropriate those charged with governance, as to whether the entity is in compliance with such laws and regulations and inspecting correspondence, if any, with the relevant licensing or regulatory authorities. Although the auditors are required to remain alert to the possibility that other audit procedures applied may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention, in the absence of identified or suspected non-compliance the auditors are not required to perform audit procedures regarding the entity's compliance with laws and regulations.

We confirm that no evidence which indicates non-compliance with laws and regulations was found.

Weaknesses in Internal Control

Internal Control in the Context of an Audit, CICA Handbook CAS 265, provides the following guidance concerning the communication of significant weaknesses in internal control:

CICA Handbook CAS 265.11 In conducting the audit, the auditors would consider only those "internal controls relevant to the preparation of the 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 internal control". An audit is not designed to consider whether internal control is adequate for management's purposes. Consequently, the auditors would only identify weaknesses in internal control that come to the auditors' attention during the financial statement audit. The auditors may not identify all the weaknesses that exist. A weakness in internal control is a deficiency in the design or effective operation of internal control. The identification of weaknesses in internal control is influenced by matters such as the auditors' assessment of materiality, the auditors' preliminary assessment of the components of audit risk and the audit approach used by the auditors. For example, if the auditors use a substantive audit approach for a particular financial statement assertion, they will not perform tests of controls in this area. Therefore the auditors' knowledge of controls in this area will generally be limited.

Accordingly, the auditors will not have a detailed knowledge of the control systems that enhance the reliability of data and information and therefore may not identify weaknesses in these control systems.

A deficiency exists when, a control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis or a control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing. A significant deficiency exists when a deficiency, or a combination of deficiencies in internal control, is of sufficient importance to merit the attention of those charged with governance in the auditor's professional judgment. The matters being reported are limited to those deficiencies of sufficient merit to be reported to those charged with governance.

We confirm that we encountered no significant deficiencies in internal control.

Related Party Transactions

As explained in Related Parties, CICA Handbook CAS 550, auditors conducting an audit in accordance with generally accepted auditing standards may identify related party transactions which are not in the normal course of operations and which, in the auditors' professional judgement, involve significant judgements by management concerning measurement or disclosure.

We confirm that other than the transactions disclosed in note twelve (Related Party Transactions) of the consolidated financial statements, no such transactions requiring the Board of Trustees to be informed were identified during the audit. We also confirm that the organization has adequate controls in place to identify related party transactions.

Significant Accounting Principles and Policies

The auditors should determine that the Board of Trustees is informed about:

(a) the initial selection of and changes in significant accounting policies, including the adoption of new accounting pronouncements, which encompass the specific principles and their method of application;

(b) the effect of significant accounting policies in controversial or emerging areas, or those unique to an industry;

(c) the existence of acceptable alternative policies and methods, and the acceptability of the particular policy or method used by management;

(d) the extent to which the financial statements are affected by unusual transactions (including non-recurring amounts recognized during the period) and the extent to which such transactions are separately disclosed in the financial statements; and

(e) the effect of the timing of transactions in relation to the period in which they are recorded.

Please refer to note 1(a) Basis of Accounting of the consolidated financial statements for a summary of the differences between Public Sector Accounting Standards and the basis of accounting as recommended by the Ministry of Education 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.*

In addition, note 1(a), that a new financial reporting framework was released in the fall of 2011 and that the Board has applied this new financial reporting framework retrospectively. There were no changes to any balances previously reported.

Management Judgements and Accounting Estimates

The auditors should determine that the Board of Trustees is informed about:

(a) the issues involved, and related judgements made by management, in formulating particularly sensitive accounting estimates and disclosures (for example, disclosures related to going concern, subsequent events and contingency issues);

(b) the basis for the auditors' conclusions regarding the reasonableness of the estimates made by management in the context of the financial statements taken as a whole;

(c) the risks of material misstatement from estimates;

(d) indicators of possible management bias;

(e) the factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets;

(f) the timing of transactions that affect the recognition of revenues or avoid recognition of expenses; and

(g) disclosure of estimation uncertainty in the financial statements.

We confirm that none of the above items require any further discussion.

Financial Statement Disclosures

The auditors should determine that the Board of Trustees is informed about:

(a) the issues involved, and related judgements made, in formulating particularly sensitive financial statement disclosures;

(b) the overall neutrality, consistency, and clarity of the disclosures in the financial statements;

(c) the potential effect on the financial statements of significant risks, exposures and uncertainties (such as pending litigation); and

(d) the selective correction of misstatements.

We confirm that none of the above items require any further discussion.

Other Matters Arising From the Audit

In some cases, management may decide to consult with other accountants about auditing and accounting matters. When the auditors are aware that such consultation has occurred, the auditors would communicate with the Board of Trustees as appropriate. If the auditors find that the consultation has not occurred in accordance with Reports on the Application of Accounting Principles, Auditing Standards or Review Standards, CICA Handbook 7600, this would be communicated with the Board of Trustees.

We confirm that we are not aware of any consultations with other accountants.

The auditors communicate with the Board of Trustees any major issues discussed with management in connection with the initial or recurring appointment of the auditors, including, among other matters, discussions regarding the application of accounting principles and auditing standards, and fees.

We confirm that there are no major issues in connection with the recurring appointment of the auditor.

The auditors inform the Board of Trustees of any significant difficulties encountered while performing the audit, including significant delays in management providing information required for the audit, an unnecessarily brief timetable in which to complete the audit, extensive unexpected effort required to obtain sufficient appropriate audit evidence, the unavailability of expected information, restrictions imposed on the auditor by management, and management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.

We confirm that no significant difficulties were encountered in the performance of the audit.

The auditors inform the Board of Trustees of any significant matters discussed, or subject to correspondence with management, while performing the audit including business conditions affecting the entity and business plans and strategies that may affect the risks of material misstatement and written representations requested.

We confirm that no significant matters were discussed or communicated with management during the course of the audit. Please see management's representation letter for written representations requested.

In accordance with CICA Handbook CAS 450, the auditors shall communicate with the Board of Trustees uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditors' report. The auditors' communication shall identify material uncorrected misstatements individually. The auditor shall request that uncorrected misstatements be corrected.

Please refer to management's letter of representation for all adjustments made and the list of uncorrected misstatements not made by management during the course of the audit. We agree with management's assessment that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. However, in accordance with the requirements of CICA Handbook CAS 450(12), we request that the Board of Trustees instruct management to have the uncorrected misstatements corrected.

The auditors inform the Board of Trustees of any other significant matters relevant to the financial reporting process including material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected.

We confirm that no significant matters relevant to the financial reporting process were identified during the audit.

We look forward to discussing with you the matters outlined in this letter as well as other matters that may be of interest to you.

Yours very truly,

CRAWFORD, SMITH & SWALLOW
Chartered Accountants LLP
DRAFT
FOR DISCUSSION PURPOSES ONLY
SUBJECT TO AMENDMENT

CRAWFORD, SMITH AND SWALLOW
CHARTERED ACCOUNTANTS LLP