*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 12, 2013
## 9:00 P.M.

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

## A. ROUTINE MATTERS

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

## B. COMMITTEE & STAFF REPORTS

| | | |
|---|---|---|
| 1. | Audited Financial Statements for the Year 2012-2013 | B1 |

## C. MOMENT OF SILENT REFLECTION FOR LIFE

## D. 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**<br>**SPECIAL BOARD MEETING**<br>**NOVEMBER 12, 2013** |
| | ***PUBLIC SESSION*** |
| **TOPIC:** | **AUDITED FINANCIAL STATEMENTS**<br>**FOR THE YEAR 2012-2013** |

**RECOMMENDATION**

**THAT** the Niagara Catholic District School Board approve the Audited Financial Statements for the Year 2012-2013, as presented.

| | |
|---|---|
| Prepared by: | Giancarlo Vetrone, Superintendent of Business & Financial Services<br>Crawford, Smith and Swallow Chartered Accountants LLP |
| Presented by: | Audit Committee<br>Crawford, Smith and Swallow Chartered Accountants LLP |
| Recommended by: | Audit Committee |
| Date: | November 12, 2013 |

NIAGARA CATHOLIC
DISTRICT SCHOOL BOARD

# REPORT TO THE SPECIAL BOARD MEETING
# NOVEMBER 12, 2013

## AUDITED FINANCIAL STATEMENTS FOR THE YEAR 2012-2013

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 reviews the 2012-2013 Audited Financial Statements, which were presented by the external Auditors.

After review and discussion, the members of the Audit Committee agreed to approve the 2012-2013 Audited Financial Statements and, accordingly, to recommend that the Niagara Catholic District School Board approve the 2012-2013 Audited Financial Statements.

The 2012-2013 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 $1,273,739. 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 2012-2013 Audited Financial Statements and related schedules will be submitted to the Ministry of Education by November 15, 2013. A full copy of the 2012-2013 Audited Financial Statements and related forms will be available for the review of the Trustees upon request.

A copy of the final Draft of the 2012-2013 Audited Financial Statements and the related Audit letters are hereby attached for the review of the Board.

### RECOMMENDATION

**THAT** the Niagara Catholic District School Board approve the 2012-2013 Audited Financial Statements, as presented.

| | |
|---|---|
| Prepared by: | Giancarlo Vetrone, Superintendent of Business & Financial Services<br>Crawford, Smith and Swallow Chartered Accountants LLP |
| Presented by: | Audit Committee<br>Crawford, Smith and Swallow Chartered Accountants LLP |
| Recommended by: | Audit Committee |
| Date: | November 12, 2013 |

crawford smith & swallow

# NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## Consolidated Financial Statements

## August 31, 2013

crawford smith & swallow

# NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## Consolidated Financial Statements

## August 31, 2013



## Table of Contents

# NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## MANAGEMENT REPORT

## August 31, 2013

The accompanying consolidated financial statements of the Niagara Catholic District School Board (the "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. Giancarlo Vetrone |

Crawford, Smith and Swallow
Chartered Accountants LLP

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Offices in:
Niagara Falls, Ontario
St. Catharines, Ontario
Fort Erie, Ontario
Niagara-on-the-Lake, Ontario
Port Colborne, Ontario

# 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 statement of financial position as at August 31, 2013, the consolidated statements of operations and accumulated surplus, cash flows and change in net debt for the year 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 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 in our audit 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 year ended August 31, 2013 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 STATEMENT OF FINANCIAL POSITION

August 31, 2013

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **Financial Assets** | | |
| Cash | 20,039,635 | 18,528,842 |
| Accounts receivable | 11,537,400 | 12,088,500 |
| Accounts receivable - Province of Ontario approved capital - note 2 | 85,024,615 | 88,434,774 |
| | 116,601,650 | 119,052,116 |
| **Contingent Liabilities** - note 13 | | |
| **Financial Liabilities** | | |
| Accounts payable and accrued liabilities | 12,404,677 | 13,930,405 |
| Deferred revenue - note 3 | 10,907,548 | 8,018,737 |
| Employee future benefits - note 5 | 10,960,890 | 10,699,825 |
| Net long-term liabilities - note 6 | 90,860,229 | 93,972,980 |
| Deferred capital contributions - note 4 | 160,081,332 | 158,150,816 |
| | 285,214,676 | 284,772,763 |
| **Net Debt** | (168,613,026) | (165,720,647) |
| **Non-Financial Assets** | | |
| Tangible capital assets - schedule 1 | 183,289,063 | 179,697,643 |
| Prepaid expense | 849,305 | 52,610 |
| | 184,138,368 | 179,750,253 |
| **Accumulated Surplus** - note 7 | **15,525,342** | **14,029,606** |

Signed on behalf of the Board:

______________________________ Chairperson of the Board

______________________________ Director of Education

See accompanying notes

## NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended August 31, 2013

| | Budget<br>$ | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| **Revenues** | | | |
| Provincial legislative grants | 230,572,541 | 232,146,161 | 234,172,494 |
| Provincial grants - other | 10,281,299 | 10,720,075 | 6,790,085 |
| Federal grants and fees | 452,394 | 427,244 | 435,059 |
| Other fees and revenue | 2,445,454 | 3,451,879 | 2,815,932 |
| Investment income | 200,000 | 304,859 | 315,328 |
| School fundraising | 8,300,000 | 8,453,005 | 8,233,421 |
| Amortization of deferred capital contributions | 7,812,931 | 8,352,534 | 8,199,692 |
| | 260,064,619 | 263,855,757 | 260,962,011 |
| **Expenditures** | | | |
| Instruction | 198,188,119 | 200,400,081 | 191,066,265 |
| Administration | 7,609,423 | 7,804,800 | 7,943,899 |
| Transportation | 9,661,428 | 10,034,674 | 10,390,900 |
| Pupil accommodation | 35,508,787 | 35,641,262 | 35,730,341 |
| Other operating expenses | 117,487 | 117,487 | 117,487 |
| School funded activities | 8,300,000 | 8,361,717 | 7,997,216 |
| | 259,385,244 | 262,360,021 | 253,246,108 |
| **Annual Surplus** | 679,375 | 1,495,736 | 7,715,903 |
| **Accumulated Surplus, Beginning of Year** | 14,029,606 | 14,029,606 | 6,313,703 |
| **Accumulated Surplus, End of Year** | **14,708,981** | **15,525,342** | **14,029,606** |



See accompanying notes

# NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended August 31, 2013

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **Operations** | | |
| Annual surplus | 1,495,736 | 7,715,903 |
| Sources (Uses) | | |
| Change in accounts receivable | 551,100 | (3,530,360) |
| Change in accounts receivable - Province of Ontario approved capital | 3,410,159 | (1,102,464) |
| Change in prepaid expenses | (796,695) | (35,793) |
| Change in accounts payable and accrued liabilities | (1,525,728) | 4,835,984 |
| Change in deferred revenue | 2,888,811 | (3,786,129) |
| Change in employee future benefits | 261,065 | (8,685,483) |
| | 4,788,712 | (12,304,245) |
| Non-cash charges to operations | | |
| Amortization of tangible capital assets | 9,011,337 | 8,493,372 |
| Loss (gain) on disposal of tangible capital assets | (91,176) | 347,057 |
| Amortization of deferred capital contributions | (8,352,534) | (8,199,691) |
| | 567,627 | 640,738 |
| Net increase (decrease) in cash from operations | 6,852,075 | (3,947,604) |
| **Capital** | | |
| Acquisition of tangible capital assets | (12,744,370) | (18,568,238) |
| Proceeds on disposal of tangible capital assets | 232,789 | 1,695 |
| Net additions to deferred capital contributions | 10,283,050 | 18,728,804 |
| Net increase (decrease) in cash from capital activities | (2,228,531) | 162,261 |
| **Financing** | | |
| Long-term debentures issued | 960,869 | 6,947,642 |
| Debt repayments and sinking fund contributions | (4,073,620) | (8,477,469) |
| Net decrease in cash from financing | (3,112,751) | (1,529,827) |
| **Increase (Decrease) in Cash Position** | 1,510,793 | (5,315,170) |
| **Cash Position, Beginning of Year** | 18,528,842 | 23,844,012 |
| **Cash Position, End of Year** | **20,039,635** | **18,528,842** |



See accompanying notes

## NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended August 31, 2013

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| **Annual Surplus** | 1,495,736 | 7,715,903 |
| **Acquisition of Tangible Capital Assets** | (12,744,370) | (18,568,238) |
| **Amortization of Tangible Capital Assets** | 9,011,337 | 8,493,372 |
| **Loss (Gain) on Disposal of Tangible Capital Assets** | (91,176) | 347,057 |
| **Proceeds on Disposal of Tangible Capital Assets** | 232,789 | 1,695 |
| **Change in Prepaid Expenses** | (796,695) | (35,793) |
| **Increase in Net Debt** | (2,892,379) | (2,046,004) |
| **Net Debt, Beginning of Year** | (165,720,647) | (163,674,643) |
| **Net Debt, End of Year** | **(168,613,026)** | **(165,720,647)** |



See accompanying notes

## 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.

(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.

(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.

**1. Significant Accounting Policies -** continued

(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) 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 in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized:

- government transfers received or receivable for capital purpose;
- other restricted contributions received or receivable for capital purpose;
- property taxation which were historically used to fund capital assets.

(h) 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. In 2012, changes were made 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 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 service life of the employee group.

**1. Significant Accounting Policies -** continued

(h) Retirement and other employee future benefits - continued

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 were recognized as at August 31, 2012.

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.

(i) Government transfers

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

Government transfers for 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.

(j) Investment income

Investment income is reported as revenue in the period earned.

When required by the funding government or related Act, investment income earned on externally restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

(k) Long-term debt

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

**1. Significant Accounting Policies -** continued

(l) 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.

(m) 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 recognized capital debt as of August 31, 2010 that was 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 $ 85,024,615 as at August 31, 2013 (2012 - $ 88,434,774) 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 statement of financial position.

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2013 is comprised of:

| | Balance, as at August 31, 2012 | Externally Restricted Revenue and Investment Income | Revenue recognized in the period | Transfers to deferred capital contributions in the period | Balance, as at August 31, 2013 |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| Retrofitting school spaces for child care | - | 1,410,000 | - | - | 1,410,000 |
| Proceeds of disposition | 4,783,700 | 270,395 | - | (37,606) | 5,016,489 |
| Special education | 701,901 | 522,139 | (167,658) | - | 1,056,382 |
| Energy efficient schools - operating | 10,522 | - | - | - | 10,522 |
| Energy efficient schools - capital | 568,102 | 1,100,000 | - | (1,363,518) | 304,584 |
| School renewal | 396,661 | 3,619,411 | (1,092,649) | (2,673,480) | 249,943 |
| School condition improvement | 46,809 | 1,830,010 | - | (1,376,325) | 500,494 |
| Others | 1,511,042 | 10,114,504 | (9,266,412) | - | 2,359,134 |
| Total deferred revenue | **8,018,737** | **18,866,459** | **(10,526,719)** | **(5,450,929)** | **10,907,548** |

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## 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.

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Balance, beginning of year | 158,150,816 | 147,621,703 |
| Additions to deferred capital contributions | 10,286,503 | 18,425,995 |
| Recognition of deferred revenue related to prior eligible capital expenses | - | 801,863 |
| Revenue recognized in the period | (8,352,534) | (8,199,692) |
| Unsupported capital spending | (3,453) | (499,053) |
| Balance, end of year | **160,081,332** | **158,150,816** |

## 5. Employee Future Benefits

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Retirement gratuities | 7,102,203 | 7,417,869 |
| Retirement health care benefits | 251,756 | 398,515 |
| Long-term disability health care benefits | 2,266,544 | 1,426,378 |
| WSIB - Schedule II future liability | 1,258,639 | 1,457,063 |
| Compensated absences | 81,748 | - |
| | **10,960,890** | **10,699,825** |

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, 2013, the Board contributed $ 3,297,756 (2012 - $ 2,934,333) 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.

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 prior years, 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 a 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 which was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

**5. Employee Future Benefits** - continued

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 which was reported in the consolidated statement 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. Plan changes made in 2012 and 2013 require school boards to provide salary top-up to a maximum of four and one-half years for employees receiving payments from WSIB, where the previously negotiated collective agreement included such provision. This resulted in a current year decrease to the Board's obligation by $ 117,292 (2012 increase $ 207,948). A reserve has been established for this liability. The balance as at August 31, 2013 is $ 928,687 (2012 - $ 928,687).

Compensated Absences

As a result of plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction 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.

As a result of new changes made in 2013 to the short-term sick 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 net benefit costs expensed in the consolidated financial statements are $ 81,748 (2012 - Nil).

## 5. Employee Future Benefits - continued

Retirement gratuities:

| | 2013 $ | 2012 $ |
|---|---|---|
| Employee benefit plan assets | - | - |
| Employee benefit plan liabilities | 7,102,203 | 7,417,869 |
| Employee benefit plan deficit | **7,102,203** | **7,417,869** |

| | 2013 $ | 2012 $ |
|---|---|---|
| Accrued benefit obligation, beginning of year | 7,417,869 | 4,956,974 |
| Benefit cost and interest | 211,287 | 554,384 |
| Change due to plan curtailment | 223,000 | 1,425,101 |
| Amortized loss | - | 1,172,568 |
| Benefits paid during the year | (749,953) | (691,158) |
| Accrued benefit obligation, end of year | **7,102,203** | **7,417,869** |

Retirement health care benefits:

| | 2013 $ | 2012 $ |
|---|---|---|
| Employee benefit plan assets | - | - |
| Employee benefit plan liabilities | 251,756 | 398,515 |
| Employee benefit plan deficit | **251,756** | **398,515** |

| | 2013 $ | 2012 $ |
|---|---|---|
| Accrued benefit obligation, beginning of year | 398,515 | 282,846 |
| Benefit cost and interest | 17,298 | 20,023 |
| Change due to plan curtailment | - | 90,151 |
| Amortized loss (gain) | (103,283) | 29,665 |
| Benefits paid during the year | (60,774) | (24,170) |
| Accrued benefit obligation, end of year | **251,756** | **398,515** |

**5. Employee Future Benefits** - continued

Long-term disability health care benefits:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Employee benefit plan assets | - | - |
| Employee benefit plan liabilities | 2,266,544 | 1,426,378 |
| Employee benefit plan deficit | **2,266,544** | **1,426,378** |

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Accrued benefit obligation, beginning of year | 1,426,378 | 1,630,262 |
| Expense for the year | 1,039,530 | (2,089) |
| Benefits paid during the year | (199,364) | (201,795) |
| Accrued benefit obligation, end of year | **2,266,544** | **1,426,378** |

WSIB Schedule II future liability:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Employee benefit plan assets | - | - |
| Employee benefit plan liabilities | 1,258,639 | 1,457,063 |
| Employee benefit plan deficit | **1,258,639** | **1,457,063** |

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Accrued benefit obligation, beginning of year | 1,457,063 | 1,105,120 |
| Expense for the year | 164,222 | 415,364 |
| Benefits paid during the year | (245,354) | (271,369) |
| Change due to plan curtailment/amendment | (117,292) | 207,948 |
| Accrued benefit obligation, end of year | **1,258,639** | **1,457,063** |

**5. Employee Future Benefits** - continued

Compensated absences:

| | 2013 $ | 2012 $ |
|---|---|---|
| Employee benefit plan assets | - | - |
| Employee benefit plan liabilities | 81,748 | - |
| Employee benefit plan deficit | **81,748** | - |

| | 2013 $ | 2012 $ |
|---|---|---|
| Accrued benefit obligation, beginning of year | - | - |
| Expense for the year | 155,950 | - |
| Benefits paid during the year | (74,202) | - |
| Accrued benefit obligation, end of year | **81,748** | - |

**Plan Changes**

In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. As a result, employees eligible for a 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 were eliminated as of September 1, 2012, and were replaced with a new short-term disability plan.

In 2013, further changes were made to the short-term leave and disability plan. Under the new plan, 11 unused sick 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 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, 2013 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:

**5. Employee Future Benefits** - continued

**General Inflation -** Future general inflation levels were assumed to be 2% (2012 - 2%).

**Interest (Discount) Rate -** The present value of future liabilities and the expense were determined using a discount rate of 3.4% (2012 - 3%).

**Wage and Salary Escalation -** There is 2% increase assumption required as the benefit is based on August 31, 2013 salaries.

**6. Net Long-Term Debt**

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

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Unmatured debenture debt | 85,152,123 | 88,082,775 |
| Sinking fund debentures | 6,974,000 | 6,974,000 |
| Less: Sinking fund assets | (1,265,894) | (1,083,795) |
| | **90,860,229** | **93,972,980** |

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 $ 90,860,229 outstanding as at at August 31, 2013 are due as follow:

| | Principal and Sinking Fund Contributions<br>$ | Interest<br>$ | Total<br>$ |
|---|---|---|---|
| 2014 | 7,583,708 | 4,746,914 | 12,330,622 |
| 2015 | 4,323,636 | 4,388,066 | 8,711,702 |
| 2016 | 4,582,140 | 4,119,596 | 8,701,736 |
| 2017 | 3,687,160 | 3,854,035 | 7,541,195 |
| 2018 | 6,542,672 | 3,574,062 | 10,116,734 |
| Thereafter | 64,140,913 | 23,492,658 | 87,633,571 |
| | **90,860,229** | **44,175,331** | **135,035,560** |

Included in net debenture debt are outstanding sinking fund debentures of $ 6,974,000 (2012 - $ 6,974,000) secured by sinking fund assets with a carrying value of $ 1,265,894 (market value - $ 1,265,894). Sinking fund assets are comprised of bank deposits.

## 7. Accumulated Surplus

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Available for Compliance | | |
| Operating fund | 3,950,710 | 5,467,726 |
| Available for Compliance - Internally Appropriated | | |
| Reserves and reserve funds | 11,874,081 | 11,832,705 |
| Unavailable for Compliance | | |
| Amounts to be recovered - employee future benefits | (10,325,579) | (10,835,125) |
| Interest accrued | (1,544,436) | (1,598,722) |
| School activities fund | 2,234,287 | 2,142,999 |
| Revenues recognized for land purchases | 9,336,279 | 7,020,023 |
| | (299,449) | (3,270,825) |
| | **15,525,342** | **14,029,606** |

## 8. Trust Funds

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Larkin Award Fund | 6,737 | 5,653 |
| Kristen French Scholarship Fund | 129,481 | 124,260 |
| Marion Oakley Fund | 5,476 | 5,415 |
| Nicole Longe Memorial Fund | 6,830 | 6,754 |
| James and Anna McGarry | 8,240 | 8,148 |
| Teachers Finance Leave Plan | 1,399,197 | 1,250,192 |
| Michael and Isabelle Moran | 51,015 | 51,445 |
| Hugo and Corrinne Massotti | 53,413 | 52,818 |
| | **1,660,389** | **1,504,685** |

## 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:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Principal payments on long-term capital loans and sinking fund contributions | 4,073,620 | 8,477,469 |
| Interest payments on long-term capital loans | 5,007,775 | 5,614,720 |
| | **9,081,395** | **14,092,189** |

## 10. Expenditures by Object

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

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Current expenditures: | | |
| Salaries and wages | 180,126,822 | 180,538,252 |
| Employee benefits | 28,388,933 | 19,216,753 |
| Staff development | 543,559 | 485,621 |
| Supplies and services | 18,177,906 | 17,851,093 |
| Interest | 5,007,775 | 5,614,720 |
| Rental expenditures | 458,880 | 450,000 |
| Fee and contract services | 12,283,092 | 12,252,024 |
| | 244,986,967 | 236,408,463 |
| Amortization of tangible capital assets | 9,011,337 | 8,493,372 |
| Loss on disposal of tangible capital assets | - | 347,057 |
| School funded activities | 8,361,717 | 7,997,216 |
| Total expenditures by object | **262,360,021** | **253,246,108** |

## 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 $ 24,000,000 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, 2016.

### 12. Related Party Transactions

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

An amount of $ 150,564 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, 2013, the Board has certain legal claims outstanding. It is management's assertion that adequate insurance coverages 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 $ 304,000, the Town of Grimsby in the amount of $ 593,691, the City of St. Catharines in the amount of $ 43,187, the Town of Lincoln in the amount of $ 4,380, Horizon Utilities in the amount of $ 9,384, the City of Niagara Falls in the amount of $ 245,465, 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:

| | | $ |
|---|---|---|
| 2014 | - | 1,442,223 |
| 2015 | - | 1,147,459 |
| 2016 | - | 702,174 |
| 2017 | - | 231,228 |
| 2018 | - | 69,268 |

## 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 0.5%. 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, 2013, no balance has been drawn upon by way of a bank overdraft against credit facility #1 and $ 1,207,607 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.

# NIAGARA CATHOLIC DISTRICT SCHOOL BOARD

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

**Schedule 1**

for the year ended August 31, 2013

| | 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 | 7,020,022 | 2,457,868 | 141,613 | 9,336,277 | - | - | - | - | 9,336,277 |
| Land improvements | 5,057,726 | 1,513,785 | - | 6,571,511 | 1,367,424 | 390,990 | - | 1,758,414 | 4,813,097 |
| Buildings | 221,747,681 | 15,574,452 | - | 237,322,133 | 71,089,313 | 7,131,589 | - | 78,220,902 | 159,101,231 |
| Portable structures | 4,019,800 | - | | 4,019,800 | 3,005,923 | 202,990 | | 3,208,913 | 810,887 |
| Equipment | 1,355,212 | 175,157 | 93,676 | 1,436,693 | 552,504 | 279,190 | 93,676 | 738,018 | 698,675 |
| First-time equipping | 2,697,323 | 210,558 | 189,799 | 2,718,082 | 1,873,329 | 270,770 | 189,799 | 1,954,300 | 763,782 |
| Furniture | 80,236 | - | 16,969 | 63,267 | 28,160 | 7,175 | 16,969 | 18,366 | 44,901 |
| Computer hardware | 3,335,004 | 131,821 | 793,834 | 2,672,991 | 1,675,283 | 600,800 | 793,834 | 1,482,249 | 1,190,742 |
| Computer software | 613,399 | 5,967 | 290,845 | 328,521 | 425,185 | 94,192 | 290,845 | 228,532 | 99,989 |
| Vehicles | 151,178 | 34,055 | - | 185,233 | 52,991 | 33,641 | - | 86,632 | 98,601 |
| Construction in progress | 13,690,174 | (7,359,293) | - | 6,330,881 | - | - | - | - | 6,330,881 |
| **August 31, 2013** | **259,767,755** | **12,744,370** | **1,526,736** | **270,985,389** | **80,070,112** | **9,011,337** | **1,385,123** | **87,696,326** | **183,289,063** |
| 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 | 3,314,003 | - | 13,690,174 | - | - | - | - | 13,690,174 |
| **August 31, 2012** | **244,591,946** | **18,568,238** | **3,392,429** | **259,767,755** | **74,620,417** | **8,493,372** | **3,043,677** | **80,070,112** | **179,697,643** |

See accompanying notes

Crawford, Smith and Swallow
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crawford smith & swallow

September 10, 2013

PLEASE KEEP FOR REFERENCE

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

Dear Members of the Board of Trustees:

We have been engaged to audit the consolidated financial statements of the Niagara Catholic District School Board for the year ending August 31, 2013.

The Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario require that we communicate at least annually with you regarding all relationships between the Board and ourselves that, in our professional judgement, may reasonably be thought to bear on our independence.

In determining which relationships to report, the rules require us to consider relevant rule related interpretations and applicable legislation, covering such matters as:

(a) holding a financial interest, either directly or indirectly, in a client;

(b) holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client;

(c) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client;

(d) economic dependence on a client; and

(e) provision of services in addition to the audit engagement.

We are not aware of any relationships between the Board and ourselves that, in our professional judgement, may reasonably be thought to bear on our independence, that have occurred from September 1, 2012 to September 10, 2013.

The Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario require that we confirm our independence to the Board of Trustees. Accordingly, we hereby confirm that we are independent with respect to the Board within the meanings of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of September 10, 2013.

This report is intended solely for the use of the audit committee, the board of trustees, management and others within the Board and should not be used for any other purposes.

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 and Swallow

**CRAWFORD, SMITH AND SWALLOW**
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September 10, 2013

PLEASE KEEP FOR REFERENCE

Members of the 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 prior to the completion of the audit of the Niagara Catholic District School Board for the year ended August 31, 2013 required under Canadian Auditing Standard 260 of the CICA Handbook.

**Auditors' Responsibilities under Canadian Auditing Standards and Planning the Audit**

The August 31, 2013 consolidated financial statements are covered by the auditors' report. The preparation of these consolidated financial statements and the accompanying notes are the responsibility of management. As stated in our engagement letter dated August 28, 2013, our responsibility is to express our opinion on these consolidated financial statements based on our audit. An audit is performed to obtain reasonable but not absolute assurance as to whether the financial statements are free of material misstatement.

The audit includes assessing the risk that the consolidated financial statements contain material misstatements, examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and their application and assessing the significant estimates made by management.

It is management's responsibility to ensure that the internal control systems are capable of producing accurate and timely financial information. This includes the design and maintenance of accounting records, recording transactions, selecting and applying accounting policies, safeguarding of assets and preventing and detecting fraud and error. In making our risk assessments, we consider internal controls 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. We will communicate with you in writing concerning any significant deficiencies in internal controls relevant to the audit of the consolidated financial statements that we have identified during the audit.

## Audit and Non-Audit Services

The following are the audit and non-audit services that we are providing to the Niagara Catholic District School Board:

We will audit and report on the statement of financial position of the Niagara Catholic District School Board as at August 31, 2013, and the statements of operations and accumulated surplus, cash flows and change in net financial liabilities for the year then ended.

We will audit and report on the statement of operations of the Niagara Catholic District School Board Literacy and Basic Skills Program for the year ended March 31, 2014.

We will audit and report on the statement of operations of the Niagara Catholic District School Board Ontario Early Years Centre for the year ended March 31, 2014.

The standard audit fee for the above engagements for each of the fiscal years ending August 31, 2012 and March 31, 2013 was $ 64,400.

We were requested to perform additional special services in the amount of $ 24,500 during the last fiscal year. We performed the following special services:

- We provided assistance with the 2011/2012 "EFIS" forms.
- We prepared a Specified Auditing Procedures and Accountants Report for the 7 month period September 1, 2012 to March 31, 2013.

## Audit Approach

The following is a summary of the audit approach of the Niagara Catholic District School Board for the year ended August 31, 2013. This list is not meant to be all inclusive, nor in any way to restrict the communication of other matters.

### General approach to the audit:

Our approach for the Niagara Catholic District School Board is tailor made and modified as necessary to assure all aspects of the engagement are covered effectively. Our engagement can be divided into the following major segments:

Segment One - Planning: Our general approach to the audit of the Niagara Catholic District School Board is to assess the risks of material misstatement in the financial statements and then respond by designing audit procedures. Our risk-based approach focuses on obtaining sufficient appropriate audit evidence to reduce the risk of material misstatement to an appropriately low level. This means that we focus our work on the higher risk areas that have a higher risk of being materially misstated. In responding to our risk assessment, we will use a combination of test of details and substantive analytical procedures. We have reviewed the prior year working papers, management letters, correspondence, etc. to ensure all matters documented for follow-up in the previous audit are addressed in the current year. The scheduling of attendance for the audit is prepared at this time. This scheduling includes tentative dates of our attendance for performance of internal control compliance testing procedures, year-end positive confirmation circularization selection, and year-end substantive procedures.

Segment Two - Internal Control Compliance Testing: In order to facilitate timely completion of the annual audit, the system of internal control is tested to obtain a level of audit assurance which will assist in the nature, timing and extent of year-end audit procedures. The systems tested include revenues, receivables, receipts, purchases, payables, payments and payroll. Each system is reviewed and documented as necessary to highlight the key internal controls on which audit reliance will be placed. This documentation is updated annually based on system changes which may occur from year to year. The testing procedures utilized during the compliance portion of the audit are based on statistical sampling procedures.

Segment Three - Year-End Positive Confirmation Selection: At a convenient time, a staff member attends your offices to select account balances for which direct confirmation is requested. Direct confirmation of bank balances and accounts receivable balances are normally requested.

Segment Four - Year-End Substantive Procedures: Year-end substantive procedures are essentially the verification of various financial statement balances. These procedures are performed at such time as the client's staff are ready for the audit team's attendance. The time required and the extent of these procedures are based largely on the results of the compliance test procedures, the results of confirmation requests and the nature of the records and supporting working papers available to the audit team. In most cases, certain substantive audit procedures may be performed satisfactorily in conjunction with the client's preparation of related working papers. We will request written representations from your lawyers. A letter of representation will be requested from management to confirm that management is cognizant of their responsibility to disclose issues that may be material to financial statement presentation. In general, our experience indicates that the audit team requires approximately two weeks after the client has completed all necessary working papers for our audit procedures to be completed.

**Areas of the financial statements as having a high risk of material misstatement:**

All areas of our audit have been assigned a risk rating ranging from low to medium. We do not feel that they warrant further discussion at this time.

**Materiality and audit risk levels on which the audit is based:**

Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgement in the particular circumstance.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Therefore, our audit will involve judgement about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

However, because of the concept of reasonable assurance and because we will not perform an examination of all transactions, there is a risk that material errors, irregularities, or wilful or accidental violations of law and regulations including fraud or misappropriation, may exist and not be detected by us. We will advise you however, of any matters of that nature that come to our attention.

For purposes of our audit, we have established a preliminary materiality figure of $ 2,515,000.

**Preliminary assessment of internal control, the planned extent of audit work related to internal control and the effect of any control reliance on year-end procedures:**

We are satisfied that the controls in place are adequate for the preparation of consolidated financial statements that are not materially misstated.

**Significant deficiencies in internal control:**

We have not identified any significant internal control deficiencies.

**How matters requested by the members of the Board of Trustees during the planning process affected the planned nature and scope of the audit, including any extensions of its scope requested by the members of the Board of Trustees or management:**

We have not received any requests from the members of the Board of Trustees to extend the scope of our audit work. Please feel free to bring any additional areas of concern to our attention.

**Use of specialists:**

Reliance will be placed on the actuarial report for Employee Future Benefits prepared by School Boards' Co-operative Inc. These actuarial valuations were updated for the year ending August 31, 2012.

**Timing of the audit:**

The timing of the engagement is as follows. Audit planning and interim testing will take place over a two week period commencing August, 2013. Final field work will take place over a three week period commencing in October, 2013.

**Scheduled meeting with the members of the Audit Committee to approve the financial statements and the date of the auditors' report:**

We will meet with the members of the Audit Committee in November, 2013 to discuss the consolidated financial statements and results of our audit, the management letter, and any other issues that need to be addressed. At this point, we will request that the Committee approve the audited consolidated financial statements. This will be the date on our auditors' report for which we express our opinion on the audited consolidated financial statements.

This report is intended solely for the use of the members of the Board of Trustees, Audit Committee, and management within Niagara Catholic District School Board and should not be used for any other purposes.

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 AND SWALLOW**
**CHARTERED ACCOUNTANTS LLP**

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crawford smith & swallow

November 12, 2013

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

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

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, 2013.

**Scope of Examination**

As stated in our report dated November 12, 2013 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, 2013 are presented fairly, in all material respects, in accordance with the basis of accounting described in note 1(a) 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.

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 & SWALLOW
Chartered Accountants LLP
FOR DISCUSSION PURPOSES ONLY
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**CRAWFORD, SMITH AND SWALLOW**
**CHARTERED ACCOUNTANTS LLP**

MP*gz

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

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November 12, 2013

CRAWFORD, SMITH & SWALLOW
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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, 2013 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 commencing in August, 2013. The year end audit was performed from October 7, 2013 until November 12, 2013.

**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.*

**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

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