NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2012 & 2011

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2012 & 2011

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

BOARD OF TRUSTEES AND SENIOR ADMINISTRATIVE PERSONNEL

YEARS ENDED AUGUST 31

	2012	2011
CHAIRPERSON OF THE BOARD	**Rick Brassard**	Rick Brassard
BOARD OF TRUSTEES		
	Peter DelGuidice	Peter DelGuidice
	Martin Drainville	Martin Drainville
	Elizabeth King	Elizabeth King
	Colleen Landers	Colleen Landers
	Denis Lincez	Denis Lincez
	Ron MacInnis	Ron MacInnis
	Steve Malciw	Steve Malciw
	Fred Salvador Jr.	Fred Salvador Jr.
SENIOR ADMINISTRATIVE PERSONNEL		
Director of Education	**Glenn Sheculski**	Glenn Sheculski
Manager of Human Resources	**Mélanie Bidal-Mainville**	Mélanie Bidal-Mainville
Manager of Financial Services	**Mary-Lou Pollon**	Mary-Lou Pollon
Manager of Plant	**Robert Landry**	Robert Landry
Manager of Information Technology	**Glen Nakashoji**	Glen Nakashoji
Superintendent of Education	**Tricia Stefanic Weltz**	Tricia Stefanic Weltz
Superintendent of Student Success	**Ronald St. Louis**	James Michaud

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of the Northeastern 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, change in net debt and cash flow 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 2 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.

Auditor's 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school generated funds revenue, annual surplus, cash flow from operating activities, financial assets and accumulated surplus.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Northeastern 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 2 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 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.

Ross, Pope & Company LLP

Kirkland Lake, Ontario
November 28, 2012

ROSS, POPE & COMPANY LLP
CHARTERED ACCOUNTANTS
Licensed Public Accountants

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT AUGUST 31

	2012	2011
FINANCIAL ASSETS		
Cash and cash equivalents	**$ 8,175,127**	$ 7,030,792
Accounts receivable (Note 6)	**1,513,283**	1,823,907
Accounts receivable - Government of Ontario - approved capital	**1,903,113**	1,869,373
TOTAL FINANCIAL ASSETS	**11,591,523**	10,724,072
FINANCIAL LIABILITIES		
Temporary borrowing (Note 8)	**-**	9,556
Accounts payable and accrued liabilities (Note 7)	**1,105,755**	1,090,420
Deferred revenue (Note 9)	**2,659,168**	2,121,498
Accrued interest on long-term debt	**108,186**	111,346
Retirement and other employee future benefits payable (Note 11)	**1,988,512**	3,962,182
Long-term debt (Note 13)	**5,764,992**	5,931,360
Deferred capital contributions (Note 10)	**25,786,478**	26,057,479
TOTAL FINANCIAL LIABILITIES	**37,413,091**	39,283,841
NET DEBT	**(25,821,568)**	(28,559,769)
NON-FINANCIAL ASSETS		
Prepaid expenses	**135,348**	107,027
Tangible capital assets (Note 16)	**29,769,318**	30,302,446
TOTAL NON-FINANCIAL ASSETS	**29,904,666**	30,409,473
ACCUMULATED SURPLUS (Note 17)	**$ 4,083,098**	$ 1,849,704

COMMITMENTS (Note 20)

CONTINGENT LIABILITIES (Note 21)

On behalf of the Board:

Director of Education

Chairperson of the Board

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENT OF OPERATIONS

YEARS ENDED AUGUST 31

	--------2012--------		
	Actual	Budget (unaudited)	2011 Actual
REVENUES			
Provincial grants - grants for student needs	**$ 30,346,746**	$ 30,167,098	$ 31,153,497
Provincial grants-other	**1,550,638**	778,981	1,639,417
Local taxation	**4,189,765**	4,581,322	4,502,430
Federal grants and fees	**418,200**	188,499	216,550
Other revenues - school boards	**49,629**	-	74,490
Other fees, grants and revenues	**266,118**	183,186	593,740
Investment income	**81,512**	15,000	41,511
School generated funds	**950,026**	1,110,000	953,516
Amortization of deferred capital contributions	**1,206,752**	1,218,839	1,628,141
TOTAL REVENUES	**39,059,386**	38,242,925	40,803,292
EXPENSES			
Instruction	**26,217,665**	27,546,461	27,502,398
Administration	**1,628,666**	1,959,749	2,277,211
Transportation	**2,777,508**	2,863,649	2,810,098
Pupil accommodation	**5,094,719**	5,070,692	5,508,562
Other	**144,702**	6,000	100,781
School generated funds	**962,732**	1,070,000	982,364
TOTAL EXPENSES	**36,825,992**	38,516,551	39,181,414
ANNUAL SURPLUS (DEFICIT)	**2,233,394**	(273,626)	1,621,878
ACCUMULATED SURPLUS, beginning of year	**1,849,704**	1,849,704	227,826
ACCUMULATED SURPLUS, end of year	**$ 4,083,098**	$ 1,576,078	$ 1,849,704

See accompanying notes.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEARS ENDED AUGUST 31

	2012 Actual	2012 Budget (unaudited)	2011 Actual
ANNUAL SURPLUS (DEFICIT)	**$ 2,233,394**	$ (273,626)	$ 1,621,878
TANGIBLE CAPITAL ASSET ACTIVITY			
Acquisition of tangible capital assets	**(869,196)**	(1,437,378)	(1,156,680)
Amortization of tangible capital assets	**1,402,324**	1,417,622	1,829,200
TOTAL TANGIBLE CAPITAL ASSET ACTIVITY	**533,128**	(19,756)	672,520
OTHER NON-FINANCIAL ASSET ACTIVITY			
Acquisition of prepaid expenses	**(135,348)**	-	(107,027)
Use of prepaid expenses	**107,027**	-	78,755
TOTAL OTHER NON-FINANCIAL ASSET ACTIVITY	**(28,321)**	-	(28,272)
DECREASE (INCREASE) IN NET DEBT	**2,738,201**	(293,382)	2,266,126
NET DEBT, beginning of year	**(28,559,769)**	(28,559,769)	(30,825,895)
NET DEBT, end of year	**$ (25,821,568)**	$ (28,853,151)	$ (28,559,769)

See accompanying notes.

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED STATEMENT OF CASH FLOW

YEARS ENDED AUGUST 31

	2012	2011
OPERATING TRANSACTIONS		
Annual surplus	**$ 2,233,394**	$ 1,621,878
Items not involving cash:		
Amortization of tangible capital assets	**1,402,324**	1,829,200
Amortization of deferred capital contributions	**(1,206,752)**	(1,628,141)
Change in non-cash assets and liabilities:		
Decrease in accounts receivable	**310,624**	978,481
Increase (decrease) in accounts payable and accrued liabilities	**15,335**	(80,635)
Increase (decrease) in deferred revenue - operating	**277,939**	(1,495,629)
Decrease in accrued interest on long-term debt	**(3,160)**	(2,931)
Increase (decrease) in retirement and other employee future benefits payable	**(1,973,670)**	(28,915)
Increase in prepaid expenses	**(28,321)**	(28,272)
CASH PROVIDED BY OPERATING TRANSACTIONS	**1,027,713**	1,165,036
CAPITAL TRANSACTIONS		
Cash used to acquire tangible capital assets	**(869,196)**	(1,156,680)
CASH APPLIED TO CAPITAL TRANSACTIONS	**(869,196)**	(1,156,680)
FINANCING TRANSACTIONS		
Temporary borrowings advanced	**-**	19,000
Temporary borrowings repaid	**(9,556)**	(9,444)
Long-term debt repaid	**(166,368)**	(176,093)
Additions to deferred capital contributions	**935,751**	1,151,377
Decrease (increase) in accounts receivable		
- Government of Ontario - approved capital	**(33,740)**	45,602
Increase (decrease) in deferred revenue - capital	**259,731**	(425,936)
CASH PROVIDED BY FINANCING TRANSACTIONS	**985,818**	604,506
CHANGE IN CASH AND CASH EQUIVALENTS	**1,144,335**	612,862
CASH AND CASH EQUIVALENTS, beginning of year	**7,030,792**	6,417,930
CASH AND CASH EQUIVALENTS, end of year	**$ 8,175,127**	$ 7,030,792

See accompanying notes.

1. NATURE OF OPERATIONS

The Northeastern Catholic District School Board is an English Catholic school board formed in January 1998 from the English Language sections of four separate school boards. The School Board, which covers an area from Cobalt to Moosonee, Ontario, has one secondary and thirteen elementary schools under its jurisdiction.

2. 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 statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The Regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the 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 require that

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

As a result, revenue recognized in the Consolidated Statement of Operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) BASIS OF ACCOUNTING (CONT'D)

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school 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 financial statements of the School 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 School 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 Statement of Financial Position as at August 31, 2011 or the annual surplus on the Consolidated Statement of Operations 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 the 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 Board is one of three school boards that entered into a partnership agreement to share certain costs related to transportation. As a result, the Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro-rata share of revenues and expenses.

(c) TRUST FUNDS

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

(e) DEFERRED REVENUE

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 expenses are incurred or services performed.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) DEFERRED CAPITAL CONTRIBUTIONS

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contributions 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. The following items fall under this category:

- Government transfers received or receivable for capital purpose
- Other restricted contributions received or receivable for capital purpose
- Property taxation revenues which were historically used to fund capital assets

(g) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuities, worker's 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 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 employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. 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.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise;

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, are the employer's contributions due to the plan in the period; and

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (CONT'D)

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(h) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, 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	ESTIMATED USEFUL LIFE IN YEARS
Land improvements with finite lives	15
Buildings and building improvements	40
Portable structures	20
Other buildings	20
First–time equipping of schools	10
Furniture	10
Equipment	5-15
Computer hardware	5
Computer software	5
Vehicles	5-10
Leasehold improvements	Over the lease term

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 Statement of Financial Position.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 amounts 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 proceeds of disposition, special education, transition, distance schools, and school renewal forms part of the respective deferred revenue balances.

(k) BUDGET FIGURES

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. The budget figures are unaudited.

(l) USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 2(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. Significant items subject to such estimates and assumptions include valuation of receivables, historical costs and useful lives of tangible capital assets, provisions for accrued liabilities and obligations related to employee future benefits.

Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

(m) LEGISLATIVE GRANTS

Legislative grants calculations are prepared annually by the School Board and are submitted to the Ministry of Education for final approval. Adjustments, if any, are recorded in the year in which they are made.

(n) LOCAL GOVERNMENT SUPPLEMENTARY TAXES AND TAX WRITE-OFFS

The education portion of local government supplementary taxes and tax write-offs has not been accrued for the calendar year 2012 as they are not susceptible to estimation by their nature.

3. TAXATION REVENUE

In accordance with Ministry of Education requirements, taxation revenue is based on 38% of taxation revenue from local governments for the calendar year 2011, 62% of taxation revenue from local governments for the calendar year 2012 and 100% of the education portion of local government supplementary taxes and tax write-offs for the calendar year 2011. In most cases, the calculations are based on information provided to the Board by the various local governments. Not all local governments, however, have provided the School Board with the tax information required. In those instances, the taxation revenue has been estimated.

Due to the fact that actual taxation revenue may vary from the estimates, adjustments may be required in the future. Any adjustments will be reflected in the year in which the local governments advise as to the final taxation amounts. These adjustments will affect the Grants for Student Needs in future years as the Grants are calculated as the difference between total allocations as per the Grant calculation provided by the Ministry and the estimated taxation revenue. In the fiscal year 2011-2012, an amount of $12,331 (2011 - $37,807) has reduced the amount reported as taxation revenue which relates to the previous year. A corresponding amount has been included in accounts receivable as due from the Government of Ontario.

4. SCHOOL LEAVE PROGRAM

Under the school leave program, teachers have the opportunity to be paid 80% of their salaries over four years. The remaining 20% is accumulated in a bank account to cover 80% of their salaries in the fifth year when they take a year leave of absence. The cash and related liability in the amount of $178,505 (2011 - $175,520) have been included with cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities on the Consolidated Statement of Financial Position.

5. ACCOUNTS RECEIVABLE - GOVERNMENT OF ONTARIO

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-2010. The Northeastern Catholic District School 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 accounts receivable.

The Board has an accounts receivable from the Province of Ontario of $1,903,113 as at August 31, 2012 (2011 - $1,869,373) with respect to capital grants.

6. ACCOUNTS RECEIVABLE

	2012	2011
Local governments	**$ 542,514**	$ 722,262
Government of Ontario	**444,746**	504,896
Government of Canada	**376,309**	312,985
Other school boards	**116,670**	244,344
Other	**33,044**	39,420
	$ 1,513,283	$ 1,823,907

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2012	2011
Trade payables and accrued liabilities	**$ 420,535**	$ 821,524
Government of Ontario	**61,564**	93,376
Deferred salary	**178,505**	175,520
Endowments	**211,697**	-
Other school boards	**233,454**	-
	$ 1,105,755	$ 1,090,420

8. TEMPORARY BORROWING

The School Board has available to it a $3,000,000 revolving demand credit facility to finance general operating requirements which bears interest at the Royal Bank Prime rate less 0.75% per annum. The School Board also has available to it a $1,000,000 lease line of credit to finance the acquisition of equipment only. The Board did not utilize these credit facilities during the year.

9. DEFERRED REVENUE

Revenues received which 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, 2012 is comprised of:

	BALANCE, August 31, 2011	**Externally Restricted Revenue and Investment Income**	**Revenue Recognized or Unspent Funds Returned**	**Transfers to Deferred Capital Contributions**	**BALANCE, August 31, 2012**
Proceeds of disposition	$1,192,869	$ 14,443	$ (34,000)	$ (306,000)	**$ 867,312**
Special education	65,627	55,424	(37,665)	-	**83,386**
Transition	151,989	1,916	-	-	**153,905**
Distance schools	98,432	1,241	-	-	**99,673**
Energy efficiency - capital	127,127	-	-	(127,127)	**-**
School renewal	32,036	168,642	-	(118,452)	**82,226**
School Condition Improvement	-	653,147	-	-	**653,147**
Other	453,418	707,144	(441,043)	-	**719,519**
	$2,121,498	$1,601,957	$ (512,708)	$ (551,579)	**$2,659,168**

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been expended by year-end. The contributions are amortized into revenue over the life of the asset acquired.

	2012	2011
BALANCE, August 31, 2011	**$26,057,479**	$26,534,243
Additions to deferred capital contributions	**935,751**	1,151,377
Revenue recognized in the period	**(1,206,752)**	(1,628,141)
BALANCE, August 31, 2012	**$25,786,478**	$26,057,479

11. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

(a) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS LIABILITIES

	Retirement Benefits	**Other Employee Future Benefits**	**Total Employee Future Benefits 2012**	2011
Accrued employee future benefit obligations at August 31	$ 1,599,923	$ 388,589	**$ 1,988,512**	$ 5,125,289
Unamortized actuarial losses at August 31	-	-	**-**	(1,163,107)
Employee future benefits liability at August 31	$ 1,599,923	$ 388,589	**$ 1,988,512**	$ 3,962,182

(b) RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS EXPENSES

	Retirement Benefits	**Other Employee Future Benefits**	**Total Employee Future Benefits 2012**	2011
Current year benefit cost	$ 294,738	$ (25,898)	**$ 268,840**	$ 384,945
Interest on accrued benefit obligation	178,866	-	**178,866**	178,715
Recognized actuarial loss	-	-	**-**	69,612
Curtailment gain (loss)	(2,023,009)	-	**(2,023,009)**	-
Employee future benefits expenses [1]	$(1,549,405)	$ (25,898)	**$(1,575,303)**	$ 633,272

[1] Excluding pension contributions to the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan, described below.

11. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (CONT'D)

(c) PLAN CHANGES

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result, employees eligible for retirement gratuities 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 2012-2013. 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.

(d) 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 as at August 31, 2012. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2012	2011
	%	%
Inflation	**2.0**	2.0
Health care cost escalation	**9.0% - decrease 0.25% per year to 4.0%**	10.0% - decrease 0.5% per year to 4.0%
Dental care cost escalation	**5.0% - decrease 0.25% per year to 3.0%**	6.0% - decrease 0.5% per year to 3.0%
Insurance and health care cost escalation - WSIB	**6.5**	6.5
Discount on accrued benefit obligations	**3.0**	4.0
Discount on accrued benefit obligations - WSIB	**2.75**	3.0

(e) RETIREMENT BENEFITS

(i) Ontario Teacher's Pension Plan

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

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2012, the Board contributed $402,373 (2011 - $352,044) 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.

11. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (CONT'D)

(e) RETIREMENT BENEFITS (CONT'D)

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates and also on some individual negotiated employee contracts. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of $90,595 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and in the accumulated surplus as at August 31, 2012.

(iv) Retirement Life Insurance and Health Care Benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums are based on the Board experience and retirees' premiums are subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for Board subsidized premiums or contributions. The changes to the Board's retirement health, life and dental plans resulted in a one-time reduction to the Board's obligation of $489,126 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and in the accumulated surplus as at August 31, 2012.

(f) OTHER EMPLOYEE FUTURE BENEFITS

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act ("the 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 the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision. This resulted in a one-time increase to the Board's obligation of $19,260 as at August 31, 2012.

(ii) Long-Term Disability Life Insurance and Health Care Benefits

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave. The employee is responsible for the payment of life insurance premiums and the costs of health care benefits under this plan. The benefit provider provides a waiver of life insurance premiums for eligible employees. 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.

11. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (CONT'D)

(f) OTHER EMPLOYEE FUTURE BENEFITS (CONT'D)

(iii) Sick Leave Benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time reduction to the obligation of $1,280,301 and a corresponding curtailment gain was reported in the Consolidated Statement of Operations and in the accumulated surplus as at August 31, 2012.

The Board has restricted a portion of its accumulated surplus for certain of these employee future benefit obligations in the amount of $421,580 as at August 31, 2012 (2011 - $416,331).

(iv) Endowment Benefits

As a result of the plan changes, the Board's liability of $211,697 related to endowment benefits has been reclassified to accounts payable and accrued liabilities on the Consolidated Statement of Financial Position as at August 31, 2012. The comparative amount of $211,697 as at August 31, 2011 is included in retirement and other employee future benefits payable.

12. OTHER FEES, GRANTS AND REVENUES

	2012	2011
Rental revenue	**$ 75,579**	$ 81,162
Government of Ontario - non-grant payments	**-**	360,126
Fees from boards outside Ontario	**43,360**	53,788
Transferred from deferred revenue	**34,000**	-
Other	**113,179**	98,664
	$ 266,118	$ 593,740

13. LONG-TERM DEBT

(a) Long-term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	2012	2011
The Canada Life Assurance Company loan bearing interest at 5.109% per annum, repayable in semi-annual blended payments of $160,394. The loan matures on April 5, 2031 and is an unsecured debenture.	**$ 3,871,176**	$ 3,989,628
The Ontario Financing Authority debenture bearing interest at 4.9% per annum, repayable in semi-annual blended payments of $45,090. The loan matures on March 3, 2033 and is an unsecured debenture.	**1,167,895**	1,199,676
The Ontario Financing Authority debenture bearing interest at 5.232% per annum, repayable in semi-annual blended payments of $27,376. The loan matures on April 13, 2035 and is an unsecured debenture.	**725,921**	742,056
	$ 5,764,992	$ 5,931,360

13. LONG-TERM DEBT (CONT'D)

(b) Principal and interest payments relating to long-term debt outstanding as at August 31, 2012 are due as follows:

	Principal Payments	Interest Payments	Total
2012-2013	$ 174,928	$ 290,791	**$ 465,719**
2013-2014	183,930	281,790	**465,720**
2014-2015	193,393	272,326	**465,719**
2015-2016	203,345	262,374	**465,719**
2016-2017	213,810	251,910	**465,720**
Thereafter	4,795,586	2,100,234	**6,895,820**
	$ 5,764,992	$ 3,459,425	**$ 9,224,417**

(c) Interest on long-term debt amounted to $296,192 (2011 - $304,696).

14. DEBT CHARGES AND INTEREST

	2012	2011
Principal payments on long-term debt	**$ 166,368**	$ 176,093
Interest payments on long-term debt	**296,192**	304,696
	$ 462,560	$ 480,789

15. EXPENSES BY OBJECT

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

	-----------2012-----------		
	Budget (unaudited)	**Actual**	2011 Actual
EXPENSES:			
Salaries and wages	$ 24,698,006	**$ 24,705,657**	$ 24,645,868
Employee benefits	3,391,133	**1,342,862**	3,200,351
Staff development	250,178	**473,523**	346,610
Supplies and services	2,591,678	**2,647,164**	2,661,566
Interest on long-term debt	299,517	**296,192**	304,696
Rental expenses	236,768	**217,724**	240,335
Fees and contractual services	4,419,937	**4,504,582**	4,587,758
Other	141,712	**273,232**	382,666
Amortization of tangible capital assets	1,417,622	**1,402,324**	1,829,200
School funded activities	1,070,000	**962,732**	982,364
TOTAL EXPENSES	$ 38,516,551	**$ 36,825,992**	$ 39,181,414

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

YEARS ENDED AUGUST 31, 2012 & 2011

16. TANGIBLE CAPITAL ASSETS

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	BALANCE, AUG. 31, 2011	ADDITIONS AND TRANSFERS	DISPOSALS	BALANCE, AUG. 31, 2012	BALANCE, AUG. 31, 2011	AMORTIZATION	DISPOSALS, WRITE-OFFS, ADJUSTMENTS	BALANCE, AUG. 31, 2012	2012	2011
Land	$ 320,600	$ 34,000	$ -	$ 354,600	$ -	$ -	$ -	$ -	**$ 354,600**	$ 320,600
Land improvements	11,752	10,216	-	21,968	392	1,124	-	1,516	**20,452**	11,360
Buildings	38,791,104	656,978	-	39,448,082	10,196,657	1,186,760	-	11,383,417	**28,064,665**	28,594,447
Other buildings	731,425	-	-	731,425	73,142	36,571	-	109,713	**621,712**	658,283
Portable structures	669,300	-	-	669,300	431,264	33,465	-	464,729	**204,571**	238,036
Furniture	51,566	-	(8,672)	42,894	34,152	4,723	(8,672)	30,203	**12,691**	17,414
Equipment	260,857	25,823	(36,184)	250,496	138,356	33,400	(36,184)	135,572	**114,924**	122,501
First-time equipping	-	16,455	-	16,455	-	823	-	823	**15,632**	-
Computer hardware	416,260	26,818	(62,736)	380,342	180,919	79,660	(62,736)	197,843	**182,499**	235,341
Computer software	96,732	-	(37,142)	59,590	60,387	15,632	(37,142)	38,877	**20,713**	36,345
Vehicles	84,486	-	-	84,486	16,367	10,166	-	26,533	**57,953**	68,119
Assets under construction	-	98,906	-	98,906	-	-	-	-	**98,906**	-
TOTAL	$ 41,434,082	$ 869,196	$ (144,734)	$ 42,158,544	$ 11,131,636	$ 1,402,324	$ (144,734)	$ 12,389,226	**$ 29,769,318**	$ 30,302,446

ASSETS UNDER CONSTRUCTION

Assets under construction having a value of $98,906 (2011 - nil) have not been amortized. Amortization of these assets will commence when the assets are put into service.

17. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2012	2011
Unappropriated	**$ 664,007**	$ 208,186
Amounts internally restricted for future use of the Board:		
Reserve funds (Schedule 1)	**505,014**	498,726
Transportation surplus from prior years	**571,616**	571,616
Student success unspent funds	**69,282**	-
Amounts to be recovered:		
Employee benefits payable	**(1,988,512)**	(3,962,182)
Accrued interest on long-term debt	**(108,186)**	(111,346)
Other:		
School activities fund	**387,037**	399,742
Revenues recognized for land	**354,600**	320,600
Tangible capital assets - unsupported amortization	**3,628,240**	3,924,362
TOTAL ACCUMULATED SURPLUS	**$ 4,083,098**	$ 1,849,704

18. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE ("OSBIE")

The School Board is a member of the Ontario School Board Insurance Exchange ("OSBIE"), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of $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 2016.

19. FINANCIAL INSTRUMENTS

(a) FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the immediate or short-term maturities of these instruments. The carrying amount of the long-term debt approximates fair value as the School Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different.

(b) CREDIT RISK

Credit risk is the risk that a counter-party will fail to discharge its obligation to the Board reducing the expected cash inflow from the Board's assets recorded at the statement of financial position date. Credit risk can be concentrated in debtors that are similarly affected by economic or other conditions. Significant concentrations of credit risk are related to the accounts receivable from the Ministry of Education, certain local governments and First Nation entities. For these accounts, the Board determines, on a continuing basis, the probable losses and sets up a provision for losses based on the estimated realizable value.

19. FINANCIAL INSTRUMENTS (CONT'D)

(c) INTEREST RATE RISK

The Board is exposed to interest rate risk for certain of its financial assets and liabilities. Under the demand operating facility, the Board may have short-term borrowings for working capital purposes, which would expose them to fluctuations in short-term interest rates.

20. COMMITMENTS

(a) OBLIGATIONS

The Northeastern Catholic District School Board has entered into various lease and service agreements. Minimum payments (including taxes but excluding tax rebates) for the next five years are approximately as follows:

2012-2013	$ 1,052,224
2013-2014	$ 674,973
2014-2015	$ 391,426
2015-2016	$ 317,912
2016-2017	$ 232,275

In addition to the above, in 2010-2011, the Board signed an agreement with Northern College related to the rental of a classroom and a gymnasium in Moosonee, Ontario. The annual fee for the use of these facilities is $100,000 (including taxes but excluding tax rebates). The agreement will continue on a year to year basis until notice is provided by either party to terminate the agreement. The Board receives funding from the Ministry of Education to offset this expense.

(b) TANGIBLE CAPITAL ASSET COMMITMENTS

Commitments on incomplete tangible capital asset contracts amounted to approximately $52,000 (including taxes and tax rebates) as at August 31, 2012 (2011 - $145,000).

21. CONTINGENT LIABILITIES

The Board is contingently liable with respect to litigation and claims which arise from time to time in the normal course of business. In the opinion of management, the liability that may arise from such contingencies would not have a significant adverse effect on the consolidated financial statements of the Board.

22. PARTNERSHIP IN TRI-BOARD TRANSPORTATION CONSORTIUM

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

The Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred, and its pro-rata share of revenues and expenses.

The following provides condensed financial information:

	2012		2011	
	Total	**Board Portion**	Total	Board Portion
FINANCIAL POSITION				
Financial assets	**$ -**	**$ -**	$ -	$ -
Liabilities	**-**	**-**	-	-
Non-Financial assets	**-**	**-**	-	-
ACCUMULATED SURPLUS	**$ -**	**$ -**	$ -	$ -
OPERATIONS				
Revenues	**$ 10,812,956**	**$ 2,694,734**	$ 10,794,930	$ 2,734,885
Expenses	**(10,611,438)**	**(2,644,513)**	(10,567,477)	(2,677,260)
ANNUAL SURPLUS	**$ 201,518**	**$ 50,221**	$ 227,453	$ 57,625

23. SUBSEQUENT EVENT

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27th, 2012. The requirements of this new legislation were used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans have been disclosed in Note 11.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

SCHEDULE 1

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED SCHEDULE OF RESERVE FUNDS CONTINUITY

YEARS ENDED AUGUST 31

	Sick Leave Reserve Fund	WSIB Reserve Fund	Capital Reserve Fund	Bursaries Reserve Fund	Total 2012	Total 2011
BALANCE, Aug. 31, 2011	$ 308,212	$ 108,119	$ 79,227	$ 3,168	$ 498,726	$ 492,561
ADDITIONS						
Interest earned	3,886	1,363	999	40	6,288	6,165
BALANCE, Aug. 31, 2012	**$ 312,098**	**$ 109,482**	**$ 80,226**	**$ 3,208**	**$ 505,014**	**$ 498,726**

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED SCHEDULE OF EXPENSES

YEARS ENDED AUGUST 31

	2012	2011
INSTRUCTION		
CLASSROOM		
Salaries and wages	**$ 19,029,291**	$ 18,853,390
Employee benefits	**1,246,847**	2,176,946
Staff development	**370,500**	247,445
Supplies and services	**1,266,359**	1,182,031
Interest on long-term debt	**-**	134
Rental expenses	**91,620**	91,894
Fees and contractual services	**902,537**	971,308
Other	**41,706**	73,950
	22,948,860	23,597,098
NON-CLASSROOM		
Salaries and wages	**2,994,690**	2,955,533
Employee benefits	**(90,349)**	456,619
Staff development	**55,589**	32,268
Supplies and services	**174,638**	194,866
Rental expenses	**-**	504
Amortization	**134,237**	265,510
	3,268,805	3,905,300
	$ 26,217,665	$ 27,502,398
ADMINISTRATION		
Salaries and wages	**$ 1,004,387**	$ 1,196,429
Employee benefits	**(71,385)**	197,627
Staff development	**47,434**	66,897
Supplies and services	**297,225**	312,349
Rental expenses	**21,383**	37,532
Fees and contractual services	**242,798**	258,618
Other	**86,824**	207,759
	$ 1,628,666	$ 2,277,211

NORTHEASTERN CATHOLIC DISTRICT SCHOOL BOARD

CONSOLIDATED SCHEDULE OF EXPENSES (CONT'D)

YEARS ENDED AUGUST 31

	2012	2011
TRANSPORTATION		
Salaries and wages	**$ 29,870**	$ 27,649
Employee benefits	**5,365**	4,994
Supplies and services	**36,842**	29,369
Rental expenses	**3,576**	7,665
Fees and contractual services	**2,695,124**	2,733,690
Amortization	**6,731**	6,731
	$ 2,777,508	$ 2,810,098
PUPIL ACCOMMODATION		
Salaries and wages	**$ 1,647,419**	$ 1,612,867
Employee benefits	**252,384**	364,165
Supplies and services	**872,100**	942,951
Interest on long-term debt	**296,192**	304,562
Rental expenses	**101,145**	102,740
Fees and contractual services	**664,123**	624,142
Other	**-**	176
Amortization	**1,261,356**	1,556,959
	$ 5,094,719	$ 5,508,562
OTHER		
Other non-operating expenses	**$ 4,092**	$ 2,570
Transfer to other boards	**140,610**	98,211
	$ 144,702	$ 100,781