

Financial statements

Strait Regional School Board

March 31, 2016

Contents

	<u>Page</u>
Management's responsibility for financial reporting	1
Independent auditor's report	2 - 3
Statement of financial position	4
Statement of operations	5
Statement of changes in net financial assets	6
Statement of cash flows	7
Notes to the financial statements	8 - 20
Additional schedules	
Schedule A – Supplementary details of revenue	21
Schedule B – Supplementary details of expenditure	22
Schedule C – Supplementary details of trust funds	23
Schedule D – Supplementary details of school generated funds	24
Schedule E – Supplementary details of capital assets	25

Management's responsibility for financial reporting

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements. A summary of the significant accounting policies are described in Note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are 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 financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly. The Board also discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The external auditors, Grant Thornton LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Strait Regional School Board and meet when required. The accompanying independent auditor's report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

Director of Finance

Superintendent

Independent auditor's report

Grant Thornton LLP
Unit 2
301 Pitt Street
Port Hawkesbury, NS
B9A 2T6
T +1 902 625 5383
F +1 902 625 5242
www.GrantThornton.ca

To the Chairperson and Members of the Board of the
Strait Regional School Board

We have audited the accompanying statement of financial position of the Strait Regional School Board (the "Board") as at March 31, 2016, and the statements of operations, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Board's management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation 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 the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Strait Regional School Board as at March 31, 2016, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The current year's supplementary information included in the schedules on pages 21 to 25 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Grant Thornton LLP

Port Hawkesbury, Canada
June 15, 2016

Chartered accountants

Strait Regional School Board

Statement of financial position

March 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 2,313,716	\$ 3,751,815
Receivables		
Province of Nova Scotia	18,503,412	19,334,409
Municipal councils	52,278	11,239
Government of Canada	201,597	198,556
Other	<u>2,715,177</u>	<u>2,670,936</u>
Total financial assets	<u>23,786,180</u>	<u>25,966,955</u>
Financial liabilities		
Payables and accruals - trade	3,555,448	4,290,058
Payables and accruals - government		
Province of Nova Scotia	77,728	17,363
Municipalities	9,999	7,592
Deferred revenues	573,005	733,390
Post-employment benefits (Note 6)	7,334,524	7,655,089
Compensated absences benefits (Note 7)	<u>9,213,166</u>	<u>9,266,746</u>
Total financial liabilities	<u>20,763,870</u>	<u>21,970,238</u>
Net financial assets	<u>3,022,310</u>	<u>3,996,717</u>
Non-financial assets		
Capital assets (net of accumulated depreciation) (Page 25)		
School buildings and improvements	1,351,701	1,422,843
Equipment and furnishings	32,894	41,118
Motor vehicles	<u>79,902</u>	<u>85,883</u>
	1,464,497	1,549,844
Prepays	<u>399,936</u>	<u>26,296</u>
Total non-financial assets	<u>1,864,433</u>	<u>1,576,140</u>
Accumulated surplus (Note 9)	<u>\$ 4,886,743</u>	<u>\$ 5,572,857</u>

On behalf of the Board

_____ Chairperson

_____ Superintendent

See accompanying notes to the financial statements.

Strait Regional School Board

Statement of operations

Year ended March 31

2016

2015

	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue (Schedule A)			
Province of Nova Scotia	\$ 61,885,402	\$ 66,469,070	\$ 70,096,479
Government of Canada	112,343	194,780	114,632
Local First Nations	1,229,040	1,200,036	1,185,142
Municipal contributions	12,556,600	12,556,586	12,450,738
Other revenues	5,202,656	5,440,533	5,088,761
School generated funds (Schedule D)	<u>-</u>	<u>2,512,382</u>	<u>2,378,362</u>
	<u>80,986,041</u>	<u>88,373,387</u>	<u>91,314,114</u>
Expenditure (Schedule B)			
Board governance	306,668	315,946	292,376
Office of the superintendent	895,551	933,171	1,144,423
Financial services	726,832	868,815	893,957
Human resources	507,238	596,847	507,585
School services	56,681,391	59,143,088	59,193,319
Operational services	21,828,450	24,118,038	26,100,081
Interest expense	50	551,514	667,428
School generated funds (Schedule D)	-	2,409,692	2,234,791
Depreciation	<u>39,861</u>	<u>122,390</u>	<u>131,410</u>
	<u>80,986,041</u>	<u>89,059,501</u>	<u>91,165,370</u>
School Board annual (deficit) surplus	<u>\$ -</u>	<u>\$ (686,114)</u>	<u>\$ 148,744</u>

Accumulated surplus (Note 9)

Balance, beginning of year		\$ 5,572,857	\$ 5,424,113
School Board annual (deficit) surplus		<u>(686,114)</u>	<u>148,744</u>
Balance, end of year		<u>\$ 4,886,743</u>	<u>\$ 5,572,857</u>

See accompanying notes to the financial statements.

Strait Regional School Board

Statement of changes in net financial assets

Year ended March 31

2016

2015

	<u>Actual</u>	<u>Actual</u>
Net financial assets, beginning of year	<u>\$ 3,996,717</u>	<u>\$ 3,382,770</u>
Changes in the year		
School Board annual (deficit) surplus	(686,114)	148,744
Acquisition of tangible capital assets	(37,043)	(31,627)
Amortization of tangible capital assets	122,390	131,410
(Increase) decrease in prepaids	<u>(373,640)</u>	<u>365,420</u>
(Decrease) increase in net financial assets	<u>(974,407)</u>	<u>613,947</u>
Net financial assets, end of year	<u>\$ 3,022,310</u>	<u>\$ 3,996,717</u>

See accompanying notes to the financial statements.

Strait Regional School Board

Statement of cash flows

Year ended March 31

2016

2015

Increase (decrease) in cash and cash equivalents

Operating transactions

School Board annual (deficit) surplus	\$ (686,114)	\$ 148,744
Non-cash items included in annual surplus		
Amortization	122,390	131,410
Decrease in receivables	742,676	1,234,859
Decrease in payables	(671,838)	(327,453)
(Decrease) increase in post-employment benefits	(320,565)	199,229
(Decrease) increase in compensated absences benefits	(53,580)	449,491
(Increase) decrease in prepaids	(373,640)	365,420
Decrease in deferred revenues	<u>(160,385)</u>	<u>(162,208)</u>
Cash (used) provided by operating transactions	<u>(1,401,056)</u>	<u>2,039,492</u>
Capital transactions		
Acquisition of tangible capital assets	<u>(37,043)</u>	<u>(31,627)</u>
Cash applied to capital transactions	<u>(37,043)</u>	<u>(31,627)</u>
Net (decrease) increase in cash and cash equivalents	(1,438,099)	2,007,865
Cash and cash equivalents, beginning of year	<u>3,751,815</u>	<u>1,743,950</u>
Cash and cash equivalents, end of year	<u>\$ 2,313,716</u>	<u>\$ 3,751,815</u>

See accompanying notes to the financial statements.

Strait Regional School Board

Notes to the financial statements

March 31, 2016

1. Nature of operations

The Strait Regional School Board manages education programs and finances of public schools within Inverness, Guysborough, Richmond, and Antigonish counties. The Board is registered as a charitable organization under the Income Tax Act and therefore, is exempt from income tax.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards, which for purposes of the School Board's financial statements are represented by accounting recommendations of the CPA Canada Public Sector Accounting Board (PSAB), supplemented where appropriate by other CPA Canada accounting standards or pronouncements.

These financial statements have been prepared using the following significant accounting policies:

Revenues

Provincial government transfers for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer(s) from the Province of Nova Scotia and Municipalities are authorized.

All non-government contribution or grant/revenues that are externally restricted, such that they must be used for a specified purpose, are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as a liability until the resources are used for the purpose or purposes specified.

International Student Program revenues are recognized as revenue when the related service is rendered.

Rental income is recognized over the term of the lease.

Investment income is recognized as revenue in the year in which it is earned.

Strait Regional School Board

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Expenditures

Expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices recorded. Expenditures are recorded on the accrual basis and include the cost of supply inventories purchased during the year. Provisions are made for probable losses on accounts receivable, and contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balance with banks, short term deposits and bank balances held by schools. Bank borrowings are considered to be financing activities.

Financial instruments

The school board classifies its financial instruments at amortized cost.

This category includes cash and cash equivalents, receivables, payables and accruals and deferred revenue. They are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Management assess each financial instrument to determine whether there is any impairment losses and if any, are reported in the statement of operations.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

There are no unrealized gains or losses therefore the statement of remeasurement gains and losses has not been presented.

Net financial assets

Net financial assets represents the financial assets less the financial liabilities of the Board.

Non-financial assets

Tangible capital assets that have useful lives extending beyond the accounting period are held for use in the production or supply of goods and services and are not intended for sale in the ordinary course of operations. Tangible capital assets are recorded at net historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development and installation of the tangible capital asset, except interest. Tangible capital assets include land, buildings, computer equipment and software, and vehicles. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water and mineral resources, or works of art and historical treasures.

Strait Regional School Board

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Non-financial assets (continued)

Prior to 2001, all building improvements and acquisitions of furniture and equipment were recorded at cost. Commencing in 2001, the Board adopted the Province of Nova Scotia's Tangible Capital Assets Accounting Policy thresholds and only those assets meeting the thresholds are recorded as additions. These thresholds are as follows:

Buildings	\$ 250,000
Leasehold improvements	\$ 250,000
Computer hardware	\$ 25,000
Motor vehicles	\$ 15,000
Major equipment	\$ 50,000

Tangible capital assets are amortized using the declining balance method at the following rates:

Buildings	5%
Equipment	20%
Motor vehicles	35%

When conditions indicate that a tangible capital asset no longer contributes to the Board's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. Write-downs are not reversed.

Under the agreement with the municipal councils, all school buildings and land on hand at January 1, 1982, remain assets of the Municipality but are under the operational control of the Board until such time, as the Board no longer requires the asset for school purposes. At that time, control will revert back to the municipal councils.

The Board has made additions to school buildings, legal title to which is held by the Municipality. Under the Education Act, should the buildings in question be disposed of, the Board will be entitled to a portion of any net proceeds of disposition.

Prepaid expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, of which some or all will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

Accumulated surplus

Accumulated surplus represents the financial assets and non-financial assets of the Board less their financial liabilities. This represents the accumulated balance of net deficit/surplus arising from the operations of the Board.

Strait Regional School Board

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Trust funds

The trust funds represent capital contributed in trust on which the income thereon is used to provide scholarships for eligible students. In addition to these scholarships, individual schools and their students raise funds for various specific activities or projects. These funds can only be used for these designated activities and are thus shown as trust funds. These trust funds are only administered by the School Board. Therefore the trust fund amounts are not reflected in the financial statements of the School Board. Trust fund assets administered by the School Board are identified in Schedule C.

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 that the related expenditures are incurred or service performed.

Use of estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets; valuation allowances for receivables; and assets and obligations related to employee future benefits. Actual results could differ from these estimates.

School generated funds

These financial statements include funds arising from certain school and student activities that are controlled and administered by each school, but for which the Board is accountable. Revenue from school funds is recognized as the funds are received. School funded activity expenditures are recorded as the funds are expended. School generated funds include the revenues and expenditures and fund balances of various organizations that exist at the school level under the jurisdiction of the School Board. Changes in cash held by schools are detailed in Schedule D.

Post-employment benefits and compensated allowances

The Board provides defined service rewards and compensated absences to certain employee groups. These benefits include pension, service awards and non-vesting sick leave. The Board has adopted the following policies with respect to accounting for these employee benefits:

- i) The costs of post-employment service awards are actuarially determined using management's best estimate of employee retention, retirement ages of employees, salary escalation, other cost escalation, long term inflation and discount rates. Adjustments to these costs arising from changes in estimates and experience gains and losses are amortized to income over estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.

Strait Regional School Board

Notes to the financial statements

March 31, 2016

2. Summary of significant accounting policies (continued)

Post-employment benefits and compensated allowances (continued)

- ii) The costs of non-vesting sick leave are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
 - iii) The costs of multi-employer defined benefit pension are the employer's contributions due to the plan in the period and are accounted for as a defined contribution plan.
-

3. Pension plans

The Board contributes to the following pension plans on behalf of its employees:

- i) The Board's Canadian Union of Public Employees (CUPE) staff and non-union staff participate in a multi-employer defined pension plan held on behalf of the Regional School Board by the Nova Scotia School Boards Association.
- ii) The Board's teachers are covered by a multi-employer pension plan established by the Province of Nova Scotia pursuant to the Teachers' Pension Act.

The Regional School Board accounts for the above plans as defined contribution plans and as such no accrued liability is recorded, and only the contributions paid or payable are expensed in the year.

4. Bank indebtedness

The Board has an operating line of credit of \$712,000 which was fully available as at March 31, 2016.

5. Related party transactions

These financial statements do not include certain expenditures paid and services provided on behalf of the Board by the Province of Nova Scotia, including but not limited to:

- Early Retirement Program payments;
 - P3 schools and facilities leases and operating costs;
 - Payments for the teachers' pension plan and medical premiums; and
 - Certain IT systems and support.
-

Strait Regional School Board

Notes to the financial statements

March 31, 2016

6. Post-employment benefits

Retirement allowance – Teachers

For teachers hired before August 1, 2002 the service awards at retirement or pre-retirement death are based on the provisions of the collective agreement with the applicable school board at August 1, 2002.

For teachers hired after July 31, 2002, under the terms of agreement with the NSTU and Province of Nova Scotia, the Board is required to pay a service award to each teacher who accumulates a minimum of ten years of service with the Board. The amount of the award is equal to 1% for each year of service with the Board multiplied by the annual salary rate on the last day of employment with the Board, to a maximum of 30 years.

The Province of Nova Scotia assumed responsibility for the payment of Service Awards for teachers effective April 1, 2002. The Board has recorded a service award and interest expense for the service awards for teachers, as provided by the Province of Nova Scotia through an actuarial valuation obtained as required under Section 3250 of the CPA Canada Public Sector Accounting Handbook ("Section 3250").

The Province is in the process of freezing service accruals under the retirement allowance programs as at April 1, 2015. The retirement allowance benefit will continue to be paid upon retirement based on the rate of pay at retirement, however years of service will no longer accrue. The provincial collective agreement with NSTU expired July 31, 2015, and therefore the Province and their actuary have made the assumption, for actuarial calculation purposes, that there has been a plan curtailment. Should the plans not be curtailed, the calculations and disclosure may need to be revised.

Section 3250 requires that all unamortized gains and losses be recognized on plan curtailment. Actuarial gains and losses that are revealed after the plan curtailment are to be amortized over the expected average remaining service life ("EARSL") of active employees.

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation, beginning of year	\$ 4,742,718	\$ 4,560,600
Current service cost	112,500	302,400
Interest on obligation	179,812	186,887
Impact of curtailment	(9,400)	-
Other (past service, transfers, etc.)	191,600	-
Less: benefits paid	(350,282)	(307,169)
Actuarial gains	<u>(143,000)</u>	<u>-</u>
Accrued benefit obligation, end of year	4,723,948	4,742,718
Pension assets, at market related values	<u>-</u>	<u>-</u>
Funded status – (deficiency)	(4,723,948)	(4,742,718)
Unamortized actuarial gains	<u>(143,000)</u>	<u>(312,759)</u>
Accrued benefit liability – Teachers	<u>\$ (4,866,948)</u>	<u>\$ (5,055,477)</u>

Strait Regional School Board

Notes to the financial statements

March 31, 2016

6. Post-employment benefits (continued)

Retirement allowance – Non-Teachers

An actuarial valuation has been obtained by the Province of Nova Scotia which has been prepared under Section 3250 of the CPA Canada Public Sector Accounting Handbook (“Section 3250”). Retiring allowances benefits descriptions and copies of the relevant parts of the collective agreements and letters of understanding for the different boards and union/non-union groups were provided by the Province of Nova Scotia (“the Province”).

The calculations have been carried out based on the data provided by the Province of Nova Scotia in connection with post-retirement benefit valuations. This information was supplemented by data supplied by the individual boards. The data included the period of continuous service with the Province, the data of birth, annual salary and contractual hours of work and some detail regarding frozen awards.

The Province is in the process of freezing service accruals under the retirement allowance programs as at April 1, 2015. The retirement allowance benefit will continue to be paid upon retirement based on the rate of pay at retirement, however years of service will no longer accrue. The collective agreement with the other union expired March 31, 2015, and therefore the Province and their actuary have made the assumption, for actuarial calculation purposes, that there has been a plan curtailment. Should the plans not be curtailed, the calculations and disclosure may need to be revised.

Section 3250 requires that all unamortized gains and losses be recognized on plan curtailment. Actuarial gains and losses that are revealed after the plan curtailment are to be amortized over the expected average remaining service life (“EARSL”) of active employees.

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation, beginning of year	\$ 2,650,144	\$ 2,663,445
Current service cost	-	104,021
Interest on obligation	92,405	104,948
Impact of curtailment	(63,342)	-
Other (past service, transfer, etc)	19,454	(89,221)
Less: benefits paid	(231,085)	(133,049)
Actuarial gains	<u>(190,116)</u>	<u>-</u>
Accrued benefit obligation, end of year	2,277,460	2,650,144
Pension assets, at market related values	<u>-</u>	<u>-</u>
Funded status – (deficiency)	(2,277,460)	(2,650,144)
Unamortized actuarial (gains) losses	<u>(190,116)</u>	<u>50,532</u>
Accrued benefit liability – Non-teachers	<u>\$ (2,467,576)</u>	<u>\$ (2,599,612)</u>

Strait Regional School Board

Notes to the financial statements

March, 31, 2016

6. Post-employment benefits (continued)

Summary of post-employment benefits

The last actuarial valuation for Teacher service awards was conducted as at July 31, 2013. The actuarial liabilities for Teachers service awards as at March 31 were extrapolated based on the latest actuarial valuations. The actuarial valuation for the Non-teacher service awards was as at March 31, 2015 and was extrapolated to March 31, 2016.

	<u>2016</u>	<u>2015</u>
Accrued benefit liability – Teachers	\$ (4,866,948)	\$ (5,055,477)
Accrued benefit liability – Non-teachers	<u>(2,467,576)</u>	<u>(2,599,612)</u>
Total post-employment benefit obligation	<u>\$ (7,334,524)</u>	<u>\$ (7,655,089)</u>

The following actuarial assumptions have been used in the determination of the accrued benefit obligation related to retiring allowances as at March 31:

	<u>2016</u>	<u>2015</u>
Discount rate	3.71%	4.1%
Rate of compensation increase	0% - 3.0%	2.25% - 3.5%

The actuary assumed that 50% of teachers will retire at the Rule of 85. The actuary has also assumed that the remainder of teachers will retire at the earlier of 35 years of credited service, age 62 with 10 years of credited service, and age 65 with 2 years of credited service.

The actuary assumed that for non-teachers 10% will retire at the age of 59, 20% will retire at the age of 60, 10% will retire between the ages of 61-64, 50% will retire between the ages of 65-69 and 100% will retire at the age of 70. The actuary has also assumed that 20% of non-teachers will retire on or after the earliest unreduced retirement date if it is greater, and 40% of non-teachers will retire at 35 years of service.

The Board has recognized in these financial statements the liability associated with retirement allowances earned by staff. The Board has recorded a corresponding receivable from the Province of Nova Scotia which has assumed responsibility for the liability up to March 31, 2016.

Strait Regional School Board

Notes to the financial statements

March, 31, 2016

7. Compensated absences benefits

Qualifying employees are entitled to a prescribed number of sick leave days for use over their employment term.

The Board has recognized in these financial statements, the liability associated with accumulated sick leave earned by staff. The Board has also recorded a corresponding receivable from the Province of Nova Scotia which has assumed responsibility for the liability up to March 31, 2016. These amounts have been determined by the Department of Finance in relation to an independent actuarial evaluation performed for them. The actuarial valuation for Teachers non-vesting sick leave banks usage was as at July 31, 2014, and have been extrapolated to March 31, 2016. The actuarial valuation for Non-teacher non-vesting sick leave banks usage was as at March 31, 2015 and have been extrapolated to March 31, 2016.

This evaluation has calculated the benefit obligation for the Board to be \$9,213,166 of March 31, 2016 (2015 - \$9,266,746).

	<u>2016</u>	<u>2015</u>
Accrued benefit obligation, beginning of year	\$ 7,388,911	\$ 9,131,108
Current service cost	404,482	712,830
Interest on obligation	279,299	375,593
Less: Sick leave taken	(605,772)	(662,620)
Actuarial losses (gains)	<u>245,772</u>	<u>(2,168,000)</u>
Accrued benefit obligation, end of year	7,712,692	7,388,911
Pension assets, at market related values	<u>-</u>	<u>-</u>
Funded status – (deficiency)	(7,712,692)	(7,388,911)
Unamortized actuarial (gains)	<u>(1,500,474)</u>	<u>(1,877,835)</u>
Compensated absences benefits liability	<u>\$ (9,213,166)</u>	<u>\$ (9,266,746)</u>

These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the board's best estimate of expected rates of:

	<u>2016</u>	<u>2015</u>
Discount rate	3.71%	4.1%
Rate of compensation increase	0% - 3.0%	2.25% - 3.5%

Strait Regional School Board

Notes to the financial statements

March 31, 2016

7. Compensated absences benefits (continued)

The actuary assumed that 50% of teachers will retire at the Rule of 85. The actuary has also assumed that the remainder of teachers will retire at the earlier of 35 years of credited service, age 62 with 10 years of credited service, and age 65 with 2 years of credited service.

The actuary assumed that for non-teachers 10% will retire at the age of 59, 20% will retire at the age of 60, 10% will retire between the ages of 61-64, 50% will retire between the ages of 65-69 and 100% will retire at the age of 70. The actuary has also assumed that 20% of non-teachers will retire on or after the earliest unreduced retirement date if it is greater, and 40% of non-teachers will retire at 35 years of service.

8. Expenditures by object	<u>2016</u>	<u>2015</u>
Salaries, wages, and benefits	\$ 68,866,140	\$ 67,083,630
Travel	626,023	615,541
Contracted services	793,416	872,184
Equipment	1,076,831	1,659,663
Property	4,503,320	6,869,362
Vehicle	2,033,081	1,911,881
Utilities	3,496,034	4,080,426
Supplies	3,694,878	4,090,658
Conferences	245,574	269,485
Professional development	640,608	678,911
Depreciation	122,390	131,410
School based funds	2,409,692	2,234,791
Interest expense	<u>551,514</u>	<u>667,428</u>
	<u>\$ 89,059,501</u>	<u>\$ 91,165,370</u>

Strait Regional School Board

Notes to the financial statements

March 31, 2016

9. Accumulated surplus	<u>2016</u>	<u>2015</u>
Operating fund	\$ 1,936,734	\$ 2,640,196
School generated funds	1,485,512	1,382,817
Capital fund	<u>1,464,497</u>	<u>1,549,844</u>
	<u>\$ 4,886,743</u>	<u>\$ 5,572,857</u>
Operating fund		
Balance, beginning of year	\$ 2,640,196	\$ 2,535,240
School Board annual surplus	<u>(686,114)</u>	<u>148,744</u>
	1,954,082	2,683,984
Transfer to school generated funds	(102,695)	(143,571)
Transfer from capital fund	122,390	131,410
Transfer to capital fund	<u>(37,043)</u>	<u>(31,627)</u>
Balance, end of year	<u>\$ 1,936,734</u>	<u>\$ 2,640,196</u>
School generated funds		
Balance, beginning of year	\$ 1,382,817	\$ 1,239,246
Transfer from operating fund	<u>102,695</u>	<u>143,571</u>
Balance, end of year	<u>\$ 1,485,512</u>	<u>\$ 1,382,817</u>
Capital fund		
Balance, beginning of year	\$ 1,549,844	\$ 1,649,627
Transfer to operating fund	(122,390)	(131,410)
Transfer from operating fund	<u>37,043</u>	<u>31,627</u>
Balance, end of year	<u>\$ 1,464,497</u>	<u>\$ 1,549,844</u>

Strait Regional School Board

Notes to the financial statements

March 31, 2016

10. Financial instrument risk management

Credit risk

Credit risk is the risk of financial loss to the School Board if a debtor fails to make payments when due. The School Board is exposed to this risk relating to its receivables.

Receivables are ultimately due from the federal and provincial governments and municipal governments under the Board's jurisdiction. Credit risk is mitigated by management review of aging and collection of receivables and billings. The School Board recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable.

The School Board measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the authority's historical experience regarding collections.

The School Board mitigates credit risk by ensuring that grants are entered into by way of a contract and by continuous monitoring of outstanding balances to ensure collection is timely. Management closely evaluates the collectability of its receivables and maintains provisions for potential credit losses, which are assessed on a regular basis.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and other price risk. The School Board is not exposed to significant currency or other price risk as it does not transact materially in foreign currency or hold equity financial instruments.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The School Board is exposed to this risk through its variable interest bearing bank overdraft. However, management does not feel that this represents a material risk to the School Board as fluctuations in market interest rates would not materially impact future cash flows and operations relating to the bank overdraft.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

Strait Regional School Board

Notes to the financial statements

March 31, 2016

10. Financial instrument risk management (continued)

Liquidity risk

Liquidity risk is the risk that the School Board will not be able to meet all cash outflow obligations as they come due. The School Board mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining a bank overdraft credit facility if unexpected cash outflows arise.

All accounts payable and accrued liabilities are due within a one year period with the exception of post-employment benefits and compensated absences.

There have been no significant changes from the previous year in the exposure to risk or policies, procedures and methods used to measure the risk.

11. Collective Agreements and other Terms and Conditions of Employment

The provincial collective agreement with the NSTU expired July 31, 2015.

The local collective agreement with the NSTU expires July 31, 2017.

The collective agreement with CUPE Local 955 expired on March 31, 2015.

12. Comparative figures

Certain of the prior year figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Strait Regional School Board

Schedule A – Supplementary details of revenues

Year ended March 31, 2016

	2016	
	<u>Budget</u>	<u>Actual</u>
Province of Nova Scotia		
Operating	\$ 46,547,900	\$ 46,547,900
Accrued wages and vacation	-	1,032,200
Restricted	11,614,319	11,793,390
Capital	1,950,400	3,299,169
Special programs and projects	1,772,783	3,796,411
	\$ 61,885,402	\$ 66,469,070
 Government of Canada		
Secretary of State	\$ 112,343	\$ 194,780
 Other revenues		
Other revenue - schools	\$ 2,636,277	\$ 2,887,626
Rentals	68,483	69,483
Investment income	50,000	35,528
Recoveries – non-governmental	2,447,896	2,447,896
	\$ 5,202,656	\$ 5,440,533

Strait Regional School Board

Schedule B - Supplementary details of expenditures

Year ended March 31, 2016

	2016	
	Budget	Actual
Board governance		
Board members	\$ 217,996	\$ 227,294
Board secretary	44,047	44,027
NSSBA and other	44,625	44,625
	\$ 306,668	\$ 315,946
Office of the superintendent		
Superintendent	\$ 761,348	\$ 793,865
Communication services	134,203	139,306
	\$ 895,551	\$ 933,171
Financial services		
Financial services	\$ 726,832	\$ 868,815
Human resource		
Human resource services	\$ 507,238	\$ 596,847
School services		
School services admin	\$ 1,333,806	\$ 1,787,040
School costs	51,760,516	53,263,335
International students	500,000	636,562
Special education	241,553	318,049
Program PD	2,341,322	2,633,908
Staff development (SRISD)	504,194	504,194
	\$ 56,681,391	\$ 59,143,088
Operational services		
Operations admin	\$ 248,311	\$ 446,851
Property services	13,606,892	14,878,226
Student transportation	7,404,527	7,978,051
Technology services	568,720	814,910
	\$ 21,828,450	\$ 24,118,038

Strait Regional School Board

Schedule C – Supplementary details of trust funds

Year ended March 31, 2016

Trust fund - scholarships

	<u>Equity</u> <u>2015</u>	<u>Donations</u> <u>& income</u>	<u>Awards</u>	<u>Equity</u> <u>2016</u>
Catherine Avery Bursary	\$ 2,577	\$ 37	\$ -	\$ 2,614
Allistair Fraser Award	2	-	-	2
Ray Caldwell Scholarship	5,078	74	80	5,072
Dorothy Jost Drysdale Scholarship	2,129	31	100	2,060
Roy Fanning-Hillside Bursary	25	-	-	25
Norman Grant Scholarship	25,566	370	-	25,936
Carol Long Scholarship	12,153	176	250	12,079
NSP Employees Scholarship	19,625	283	100	19,808
James Russell Scholarship	2	-	-	2
Bertha Morgan Scholarship	983	14	-	997
Henry Marshall Tory Prize	133,212	1,928	2,000	133,140
James Tory Prize	13,354	345	1,000	12,699
Paul Hendsbee Memorial	10	-	-	10
Donald Archibald Memorial	1,018	15	15	1,018
Neil & Eileen MacIsaac Bursary	2,582	37	-	2,619
Thomas Williams Prize	5,130	74	104	5,100
Tina Munro Hickey Prize	9,997	147	156	9,988
AW Cameron Memorial	4,426	64	1,500	2,990
Jesse Sceles Memorial	2,453	34	50	2,437
E Beatrice Nichols Scholarship	<u>2,032</u>	<u>2,130</u>	<u>100</u>	<u>4,062</u>
	<u>\$ 242,354</u>	<u>\$ 5,759</u>	<u>\$ 5,455</u>	<u>\$ 242,658</u>

Strait Regional School Board

Schedule D – Supplementary details of school generated funds

Year ended March 31, 2016

	<u>Equity</u>	<u>Revenue</u>	<u>Disbursements</u>	<u>Equity</u>
	<u>2015</u>	<u>& interest</u>		<u>2016</u>
Antigonish Education Centre	\$ 182,295	\$ 164,045	\$ 181,668	\$ 164,672
Bayview Education Centre	29,979	57,959	43,788	44,150
Canso Academy/ Fanning Education Centre	64,904	66,391	64,097	67,198
Cape Breton Highlands Academy/ Education Centre	107,553	156,987	164,982	99,558
Chedabucto Place	98,071	135,016	127,484	105,603
Dalbrae Academy	83,627	191,328	188,881	86,074
Dr. J.H. Gillis Regional	176,765	351,404	297,202	230,967
East Antigonish Academy/ Education Centre	120,970	218,499	171,128	168,341
East Richmond Education Centre	40,910	62,614	71,453	32,071
Felix Marchand Education Centre	6,571	33,569	25,682	14,458
H.M. MacDonald Elementary School	6,486	35,233	36,252	5,467
Inverness Academy/Education Centre	119,956	123,383	148,682	94,657
Mulgrave Memorial Education Centre	12,998	21,364	21,203	13,159
Richmond Academy	53,112	185,176	190,261	48,027
SAERC	78,490	246,786	217,377	107,899
St. Andrew's Consolidated School	22,322	77,366	75,060	24,628
St. Andrew Junior High	81,126	117,784	115,239	83,671
St. Mary's Centre/Academy	41,158	151,713	157,787	35,084
Tamarac Education Centre	23,102	69,103	69,737	22,468
Whycocomagh Education Centre	<u>32,422</u>	<u>46,662</u>	<u>41,729</u>	<u>37,355</u>
	<u>\$ 1,382,817</u>	<u>\$ 2,512,382</u>	<u>\$ 2,409,692</u>	<u>\$1,485,507</u>

Strait Regional School Board

Schedule E – Supplementary details of capital assets

Year ended March 31, 2016

	<u>School buildings</u>	<u>Equipment and furnishings</u>	<u>Motor vehicles</u>	<u>2016</u>	<u>2015</u>
Cost					
Opening	\$ 3,141,287	\$ 1,291,709	\$ 877,727	\$ 5,310,723	\$ 5,279,096
Additions	<u>-</u>	<u>-</u>	<u>37,043</u>	<u>37,043</u>	<u>31,627</u>
Closing	<u>3,141,287</u>	<u>1,291,709</u>	<u>914,770</u>	<u>5,347,766</u>	<u>5,310,723</u>
Accumulated depreciation					
Opening	1,718,444	1,250,591	791,844	3,760,879	3,629,469
Depreciation	<u>71,142</u>	<u>8,224</u>	<u>43,024</u>	<u>122,390</u>	<u>131,410</u>
Closing	<u>1,789,586</u>	<u>1,258,815</u>	<u>834,868</u>	<u>3,883,269</u>	<u>3,760,879</u>
Net book value	1,351,701	32,894	79,902	1,464,497	1,549,844
Opening balance	<u>1,422,843</u>	<u>41,118</u>	<u>85,883</u>	<u>1,549,844</u>	<u>1,649,627</u>
Decrease in net book value	<u>\$ (71,142)</u>	<u>\$ (8,224)</u>	<u>\$ (5,981)</u>	<u>\$ (85,347)</u>	<u>\$ (99,783)</u>
