

March 4, 2015

The Board of Directors  
Manitoulin-Sudbury District Services Board  
210 Mead Boulevard  
Espanola, ON  
P5E 1R6

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Dear Board of Directors Members:

RE: OPSEU Contract and EMS Severance

Per the OPSEU contract with the EMS workers, section 14.03 states the following:

- a) An employee with five (5) years of service shall be entitled to receive on separation from employment, severance pay of one (1) week's pay per year of service, up to a maximum of twenty-six (26) weeks of pay.
- b) A part-time employee who is entitled to severance pay pursuant to this provision will have "one (1) week's pay" for the purposes of the severance pay calculation determined as follows:
  - a. One week's pay will be equal to the average number of regular non-overtime hours worked per week by the part-time employee over the fifty-two (52) week period prior to the date of separation of employment multiplied by the regular non-overtime rate of pay applicable to such part-time employee at the time of separation from employment.

In accordance with Canadian public sector accounting standards (PS 3255.16), the Manitoulin-Sudbury District Services Board "MSDSB" has been accruing this severance payout per employee based on the following criteria:

- a) Full-time verses part-time employment
- b) Number of years of service
- c) Rate of pay and
- d) Present value adjustment of the liability given that it will be paid in the future.

At the December 31, 2013 year-end, the total amount estimated for the EMS severance was calculated to be \$936,869.67 (including a present value adjustment). In addition, the severance reserve fund had a balance of \$235,922. These monies were received from the Ministry to help fund the liability. Therefore the liability set up at December 31, 2013 was \$700,877.67 which was the estimated severance balance owing to the EMS employees less the amount available to fund this liability. In other words, if you had severed all the EMS employees at December 31, 2013, \$936,869.67 would have had to have been paid out in cash to these employees in accordance with the OPSEU contract.

In fiscal 2014, the total EMS severance liability was calculated based on the above criteria and is estimated to be \$1,020,431.69. The increase in the estimated total liability of \$83,562.01 is largely due to the fact that the number of EMS service workers does not tend to decline and history has shown that the workers are not typically terminated and usually do not resign. Based on these facts and the calculation of the estimated severance owing, Canadian public sector accounting standards require that the \$83,562.01 increase in the liability (amount owing to the EMS employees) must be recorded to reflect the estimated liability of the MSDSB at December 31, 2014. Without an actuarial valuation, it is unknown whether this figure is potentially too high or potentially too low.

The estimated severance owing of \$1,020,431.69 at December 31, 2014 is a legal obligation between the MSDSB and OPSEU that requires the MSDSB to pay the EMS workers this severance based on the terms of the OPSEU contract. Given this legal commitment, the increase in the estimated liability of \$83,562.01 is required to be accrued and set up as an expense in the December 31, 2014 year-end. This will reduce the surplus in the MSDSB December 31, 2014 year-end financial statements by \$83,562.01.

FCR suggests that an actuarial valuation be performed during the next fiscal year to determine if the EMS liability is appropriately estimated and whether an adjustment is required. Depending on the results of the actuarial valuation, the estimated liability would be increased or decreased with the related impact being that the net income of the MSDSB would also be adjusted.

Should you have any further questions with respect to this letter, please do not hesitate to contact me at the office.

Yours truly,

FREELANDT CALDWELL REILLY LLP



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