

**Simcoe Muskoka Catholic
District School Board
Consolidated Financial Statements
For the Year Ended August 31, 2010**

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Simcoe Muskoka Catholic District School Board are the responsibility of the Board management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

A summary of the significant accounting policies are described in Note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Hehn Trickey Professional Corporation, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

Director of Education

Associate Director of Education
(Business & Finance)

November 8, 2010

Our Vision: We are a faith-filled Catholic learning community dedicated to excellence

Auditors' Report

To the Board of Trustees of the
Simcoe Muskoka Catholic
District School Board

We have audited the consolidated statement of financial position of the Simcoe Muskoka Catholic District School Board as at August 31, 2010 and the consolidated statements of operations and cash flow for the year then ended. These consolidated financial statements are the responsibility of the School Board's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Board as at August 31, 2010 and the results of its financial activities and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Hehn Trickey Professional Corporation
Chartered Accountants

*Authorized to practise public accounting by
The Institute of Chartered Accountants of Ontario*

Orillia, Ontario
November 8, 2010

Simcoe Muskoka Catholic District School Board
Consolidated Statement of Financial Position
As At August 31, 2010

	August 31 2010	August 31 2009
Financial Assets		
Cash	\$ 12,113,484	\$ 2,624,054
Investments (Note 3, Page 12)	97,738	97,738
Accounts receivable	8,332,391	6,317,261
Accounts receivable - Government of Ontario Approved Capital (Note 4, Page 12)	<u>136,023,980</u>	-
Total Financial Assets	<u>156,567,593</u>	9,039,053
Liabilities		
Accounts payable and accrued liabilities	16,240,788	13,602,850
Deferred revenue - externally restricted (Note 6, Page 15)	6,526,678	1,495,938
Deferred revenue - other	421,768	490,985
Retirement and other employee future benefits liabilities (Note 7, Page 16)	21,708,002	20,287,498
Net long-term liabilities (Note 8, Page 19)	<u>136,763,454</u>	133,620,570
Total Liabilities	<u>181,660,690</u>	169,497,841
Net Debt	(25,093,097)	(160,458,788)
Non-Financial Assets		
Prepaid expenses	397,970	1,248,360
Tangible capital assets (Note 5, Page 13)	<u>243,953,188</u>	234,869,303
Total Non-Financial Assets	<u>244,351,158</u>	236,117,663
Accumulated Surplus (Deficit) (Note 2, Page 11 and Note 9, Page 21)	<u>\$ 219,258,061</u>	<u>\$ 75,658,875</u>

Simcoe Muskoka Catholic District School Board
Consolidated Statement of Operations
For the Year Ended August 31, 2010

	Budget August 31 2010	Actual August 31 2010	Actual August 31 2009
Revenue			
Provincial grants			
- grants for student needs (Note 4, Page 12)	\$ 176,849,129	\$ 313,495,912	\$ 169,079,304
- other	2,022,173	8,482,044	3,181,887
Local taxation	40,544,784	42,132,375	40,004,350
School generated funds	-	8,135,934	8,200,894
Federal grants and fees	244,204	234,447	179,947
Investment income	-	2,830,138	1,995,528
Other revenues - school boards	-	189,040	186,707
Other fees and revenue	606,110	1,084,448	1,628,851
Total revenue	220,266,400	376,584,338	224,457,468
Expenses			
Instruction	167,001,774	168,022,470	163,485,981
Administration	7,509,385	7,298,067	6,988,131
Transportation	12,230,388	12,354,264	12,370,482
Pupil accommodation	41,154,697	38,842,862	37,319,657
School generated funds	-	8,276,640	8,228,347
Other	926,683	559,368	748,655
Total expenses (Note 11, Page 22)	228,822,927	235,353,671	229,141,253
Annual Surplus (Deficit) (Note 2, Page 11)	(8,556,527)	141,230,667	(4,683,785)
Accumulated Surplus (Deficit), Beginning of Year			
From predecessor - Simcoe Muskoka Catholic District School Board (Note 2, Page 11)	78,009,484	75,658,875	80,303,725
From predecessor - Parry Sound Roman Catholic Separate School Board	-	2,432,340	-
Adjustments to School Generated Funds (Note 16, Page 23)	-	(63,821)	38,935
Accumulated Surplus (Deficit), End of Year (Note 2, Page 11 and Note 9, Page 21)	\$ 69,452,957	\$ 219,258,061	\$ 75,658,875

Simcoe Muskoka Catholic District School Board
Consolidated Statement of Cash Flow
For the Year Ended August 31, 2010

	August 31 2010	August 31 2009
Operating Activities		
Net revenue (expenses)	\$ 141,230,667	\$ (4,683,785)
Sources and (uses)		
Non-cash items including amortization, write downs and gain/loss on disposal	10,558,199	9,278,220
Decrease (increase) in accounts receivable	(137,863,258)	898,326
Decrease (increase) in investments	39,804	(10,738)
Increase (decrease) in accounts payable and accrued liabilities	2,602,141	304,830
Increase (decrease) in deferred revenue - externally restricted	4,685,456	(42,995)
Increase (decrease) in deferred revenues - other	(84,926)	(47,575)
Increase (decrease) in retirement and other employee future benefits liabilities	1,277,656	1,793,078
Decrease (increase) in non-financial assets - prepaid expenses	856,870	(781,518)
	<u>23,302,609</u>	<u>6,707,843</u>
Capital Activities		
Cash used to acquire tangible capital assets	<u>(17,336,052)</u>	<u>(12,384,168)</u>
Financing Activities		
Long-term financing issued	11,260,963	-
Debt repaid and sinking fund contributions	<u>(8,118,079)</u>	<u>(6,704,312)</u>
	<u>3,142,884</u>	<u>(6,704,312)</u>
Increase (Decrease) in Cash and Cash Equivalents During the Year	9,109,441	(12,380,637)
Cash and Cash Equivalents, Beginning of Year		
From predecessor - Simcoe Muskoka Catholic District School Board	2,624,054	14,965,756
From predecessor - Parry Sound Roman Catholic Separate School Board	443,810	-
Adjustments to School Activities Funds (Note 16, Page 23)	<u>(63,821)</u>	<u>38,935</u>
Cash and Cash Equivalents, End of Year	\$ 12,113,484	\$ 2,624,054

Simcoe Muskoka Catholic District School Board

Notes to Consolidated Financial Statements

For the Year Ended August 31, 2010

1. Significant Accounting Policies

The consolidated financial statements are prepared by management in accordance with Canadian generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

(a) 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, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

Consolidated entities:

Simcoe County Transportation Consortium
School Generated Funds

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

(b) 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.

(c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

(d) Cash and Cash Equivalents

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

(e) Investments

Temporary investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition. They are carried on the Consolidated Statement of Financial Position at the lower of cost or market value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost, and assessed regularly for permanent impairment.

Simcoe Muskoka Catholic District School Board

Notes to Consolidated Financial Statements

For the Year Ended August 31, 2010

1. Significant Accounting Policies (continued)

(f) 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:

Land improvements with finite lives	- 15 years
Buildings	- 40 years
Portable structures	- 20 years
Equipment - 5 years	- 5 years
Equipment - 10 years	- 10 years
Furniture	- 10 years
First time equipping	- 10 years
Computer hardware	- 5 years
Computer software	- 5 years
Vehicles	- 5 years

Assets under construction 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 net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and the carrying value is written down to the residual value.

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

(g) Deferred Revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

Simcoe Muskoka Catholic District School Board

Notes to Consolidated Financial Statements

For the Year Ended August 31, 2010

1. Significant Accounting Policies (continued)

(h) 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, retirement gratuities, and workers' compensation. 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 rate, long-term inflation rates and discount rates.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and 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. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

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

- (ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pensions, are the employer's contributions due to the plan in the period.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(i) Government Transfers

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

(j) Investment Income

Investment income is reported as revenue in the period earned.

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

(k) Long-term Liabilities

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

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

1. Significant Accounting Policies (continued)

(l) Budget Figures

Budget figures have been provided for comparison purposes and have been derived from the budget as presented in the revised estimates approved by the Board on November 17, 2009. 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 with the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

(m) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and reported revenues and expenditures during the year. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

(n) Financial Instruments

The Consolidated Statement of Financial Position value for short-term investments, accounts receivable, short-term borrowing, accounts payable and accrued liabilities approximates fair value because of their limited term. The Statement of Financial Position value of the net long-term liabilities approximates fair value because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different. Fair value estimates are made as at the Consolidated Statement of Financial Position date based on relevant information and information about the financial instruments.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

2. Change in Accounting Policies

The Board has implemented Public Sector Accounting Board ("PSAB") sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development.

When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The estimates for land and buildings were determined by the Ministry of Education using an estimation methodology called the Book Value Calculator, using historical information provided by the Board. Other asset classes are recorded as historical cost where adequate information was available. If adequate information was not available, an alternative method was used to estimate a reasonable cost.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus at August 31, 2009

Operating fund balance	\$ (547,355)
Capital fund balance	(18,829,147)
Reserve fund balance	16,941,682
School generated fund balance	1,925,805
Amounts to be recovered	<u>(158,729,450)</u>
Accumulated surplus, as previously reported	(159,238,465)
Net book value of tangible capital assets recorded	234,869,303
Net book value of previous dispositions of tangible capital assets	<u>28,037</u>
Accumulated surplus, as restated	<u>\$ 75,658,875</u>

Annual surplus for the year ended August 31, 2009:

Change in net assets (liabilities), as previously reported	\$ (7,789,733)
Plus: capital expenditures capitalized, previously expenses	12,384,168
Less: amortization expense not previously recorded	<u>(9,278,220)</u>
Annual surplus (deficit), as restated	<u>\$ (4,683,785)</u>

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

3. Investments

	<u>2010</u>	<u>2009</u>
Term deposit	<u>\$ 97,738</u>	<u>\$ 97,738</u>

The term deposit has an interest rate of 2.3% and matures in December 2010.

4. Accounts Receivable - Government of Ontario Approved Capital

The Province of Ontario (Province) has replaced variable capital funding with a one-time debt support grant. Simcoe Muskoka Catholic District School Board will receive a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive this grant in cash over the remaining term of the existing capital debt instruments.

The amount of this one-time grant recorded in these financial statements is \$148,655,208. With respect to this one-time grant, the Board has an account receivable from the Province of Ontario of \$136,023,980 as at August 31, 2010 representing the amount of the one-time grant less the balance of the pupil accommodation debt reserve funds recovered by the Province.

Simcoe Muskoka Catholic District School Board
Notes to Financial Statements
For the Year Ended August 31, 2010

5. Tangible Capital Assets

	Opening Balance		Cost			Opening Balance		Accumulated Amortization			Net Book Value	
	Simcoe Muskoka CDSB	Parry Sound RCSSB	Additions	Disposals	Closing Balance	Simcoe Muskoka CDSB	Parry Sound RCSSB	Amortization	Disposals	Closing Balance	2010	2009
Land	22,444,259	265,445	1,923,177	-	24,632,881	-	-	-	-	-	24,632,881	22,444,259
Land improvements	1,840,129	72,033	148,547	9,834	2,050,875	195,797	21,849	144,693	9,834	352,505	1,698,370	1,644,332
Buildings	269,874,307	2,533,491	11,343,173	630,754	283,120,217	76,534,820	665,041	8,444,892	630,754	85,013,999	198,106,218	193,339,487
Portable structures	11,974,300	56,017	-	1,272,000	10,758,317	8,940,309	15,020	395,989	1,272,000	8,079,318	2,678,999	3,033,991
Construction in progress	8,580,136	34,592	3,393,423	-	12,008,151	-	-	-	-	-	12,008,151	8,580,136
Equipment - 5 years	75,652	-	-	-	75,652	27,883	-	15,130	-	43,013	32,639	47,769
Equipment - 10 years	730,465	-	179,990	141,284	769,171	357,391	-	74,982	141,284	291,089	478,082	373,074
Equipment - 15 years	-	-	283,970	-	283,970	-	-	-	-	-	283,970	-
Furniture	80,404	-	-	12,313	68,091	49,991	-	7,425	12,313	45,103	22,988	30,413
First time equipping	5,993,244	-	63,772	616,534	5,440,482	3,687,001	-	571,686	616,534	3,642,153	1,798,329	2,306,243
Computer hardware	3,230,467	70,054	-	259,796	3,040,725	750,338	23,690	634,125	259,796	1,148,357	1,892,368	2,480,129
Computer software	1,145,008	-	-	40,039	1,104,969	672,649	-	224,998	40,039	857,608	247,361	472,359
Vehicles	273,768	-	-	-	273,768	156,657	-	44,279	-	200,936	72,832	117,111
	326,242,139	3,031,632	17,336,052	2,982,554	343,627,269	91,372,836	725,600	10,558,199	2,982,554	99,674,081	243,953,188	234,869,303

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

5. Tangible Capital Assets (continued)

(a) Assets under construction

Assets under construction having a value of \$12,008,151 (2009 - \$8,580,136) have not been amortized. Amortization of these assets will commence when the assets are put into service.

(b) Assets not yet in use

The assets in the Equipment - 15 year category are not yet in service. Amortization of these assets will commence when the assets are put into service.

(c) Opening Balances

The opening balances for the cost and accumulated amortization have been adjusted to include the August 31, 2009 balances from the Parry Sound Roman Catholic Separate School Board as a result of the amalgamation with this Board on September 1, 2009.

Opening Net Book Value of Tangible Capital Assets

From predecessor - Simcoe Muskoka Catholic District School Board	\$ 234,869,303
From predecessor - Parry Sound Roman Catholic Separate School Board	<u>2,306,032</u>
Opening net book value of tangible capital assets	<u>\$ 237,175,335</u>

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

6. Deferred Revenue - Externally Restricted

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the Consolidated Statement of Financial Position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement is comprised of:

	<u>2010</u>	<u>2009</u>
Learning Improvements		
Balance, beginning of year		
From predecessor - Simcoe Muskoka Catholic District School Board	\$ 997,779	\$ 1,014,843
From predecessor - Parry Sound Roman Catholic Separate School Board	103,710	-
Increase (decrease) in deferred revenue	<u>796,220</u>	<u>(17,064)</u>
Balance, end of year	<u>1,897,709</u>	<u>997,779</u>
Education Development Charges		
Balance, beginning of year		
From predecessor - Simcoe Muskoka Catholic District School Board	229,868	226,620
Decrease in deferred revenue	(1,913)	(2,814)
Interest earned	<u>2,742</u>	<u>6,062</u>
Balance, end of year	<u>230,697</u>	<u>229,868</u>
Pupil Accommodation - School Renewal		
Balance, beginning of year		
From predecessor - Parry Sound Roman Catholic Separate School Board	257,284	-
Decrease in deferred revenue	<u>(257,284)</u>	<u>-</u>
Balance, end of year	<u>-</u>	<u>-</u>
Proceeds of Disposal		
Balance, beginning of year		
From predecessor - Simcoe Muskoka Catholic District School Board	<u>268,291</u>	<u>268,291</u>
Balance, end of year	<u>268,291</u>	<u>268,291</u>
Green Schools Pilot		
Balance, beginning of year	-	-
Increase in deferred revenue	<u>24,887</u>	<u>-</u>
Balance, end of year	<u>24,887</u>	<u>-</u>

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

6. Deferred Revenue (continued)

	<u>2010</u>	<u>2009</u>
Energy Efficient Schools		
Balance, beginning of year	-	-
Increase in deferred revenue	<u>4,105,094</u>	-
Balance, end of year	<u>4,105,094</u>	-
Total Deferred Revenue - Externally Restricted	<u>\$ 6,526,678</u>	<u>\$ 1,495,938</u>

7. Retirement and Other Employee Future Benefits

	<u>2010</u>	<u>2009</u>
Retirement and Other Employee Future Benefits Liabilities		
Simcoe Muskoka Catholic District School Board Liability, beginning of year	\$ 20,287,498	\$ 18,494,420
Parry Sound Roman Catholic Separate School Board Liability, beginning of year	<u>142,848</u>	-
	<u>20,430,346</u>	18,494,420
Employee future benefits expense		
Current year benefit cost	1,199,697	1,683,865
Interest on accrued benefits obligation	1,161,774	1,147,898
Recognized actuarial gains (losses)	<u>333,562</u>	392,931
	2,695,033	3,224,694
Benefits paid during the year	<u>(1,417,377)</u>	(1,431,616)
	<u>1,277,656</u>	1,793,078
Liability, end of year	<u>\$ 21,708,002</u>	<u>\$ 20,287,498</u>
Accrued Employee Future Benefits Obligations		
Accrued employee future benefits obligations	\$ 26,054,904	\$ 23,862,872
Unamortized actuarial gains (losses)	<u>(4,346,902)</u>	(3,575,374)
Employee future benefits liability	<u>\$ 21,708,002</u>	<u>\$ 20,287,498</u>

Employee future benefits expense above excludes pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Simcoe Muskoka Catholic District School Board

Notes to Consolidated Financial Statements

For the Year Ended August 31, 2010

7. Retirement and Other Employee Future Benefits (continued)

Retirement Benefits

(i) Ontario Teachers' Pension Plan

Teachers and related employee groups are eligible to be members of the Ontario Teachers' Pension Plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

(ii) Ontario Municipal Employees Retirement System

Non-teaching employees of the Board may be 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. Effective January 1, 2006 employee contribution rates were up to 9.6% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2010, the Board contributed \$1,677,575 (2009 - \$1,556,472) 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 financial statements.

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. 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 financial statements.

Other Employee Future Benefits

(i) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 1 employer under the Workplace Safety and Insurance Act and, as such, the Board insures all claims by its injured workers under the Act. The Board's net insurance premiums for the year ended August 31, 2010 were \$1,079,136 (2009 - \$1,043,710) and are included in the Board's financial statements. No liabilities for claims by its injured workers under the Workplace Safety and Insurance Act are included in the Board's financial statements.

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

The Board provides its share of life insurance, dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment of its share of life insurance premiums and the costs of health care benefits under this plan. The Board provides these benefits through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and not included in this plan.

(iii) Non-Vesting Sick Leave Accumulation Benefits

The Board allows employees to accumulate sick days, up to a maximum, and use these days for illness in the future. Only employees eligible for a retirement gratuity will benefit from any unused sick days at their retirement date.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

7. Retirement and Other Employee Future Benefits (continued)

Actuarial Report

The accrued benefit obligations for employee future benefit plans as at August 31, 2010 are based on actuarial valuations for accounting purposes as at August 31, 2010 as indicated in an actuarial report dated October 2010 except for the portion relating to the members of the former Parry Sound Roman Catholic Separate School Board. These benefit obligations are estimated based on the actuarial valuations for accounting purposes as at August 31, 2010 as indicated in an actuarial report dated November 3, 2008.

Economic Assumptions

The actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations for 2010 are a discount rate of 4.75% and salary increases of 3.0%.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

8. Net Long-Term Liabilities

Net long-term liabilities reported on the Consolidated Statement of Financial Position are comprised of the following:

	<u>2010</u>	<u>2009</u>
Debentures		
Debenture 1992 - Bylaw 2402-92, semi-annual payments of principal and interest at 9.5% to 9.75%, non-callable, maturing in July 2012	\$ 260,000	\$ 370,000
Debenture 1994 - Bylaw 2603-94, semi-annual payments of principal and interest at 10% to 10.125%, maturing in July 2014	1,740,000	2,000,000
Debenture 1995 - Bylaw 2701-95, semi-annual payments of principal and interest at 9.875%, maturing in April 2015	1,740,000	2,000,000
Debenture 1996 (1) - Bylaw 2801-96, semi-annual payments of principal and interest at 8.5% to 9.1%, maturing in May 2016	3,750,000	4,250,000
Debenture 1996 (2) - Bylaw 2803-96, semi-annual payments of principal and interest at 6.75% to 7.5%, maturing in December 2016	1,975,000	2,175,000
Debenture 1997 - Bylaw 2903-97, semi-annual payments of principal and interest at 6.25% to 6.8%, maturing in December 2017	2,368,000	2,590,000
Debenture 2000 (OSBFC #1) - Bylaw 3201-00, semi-annual payments of principal and interest at 7.2%, maturing in December 2025	11,758,319	12,183,335
Debenture 2002 (OSBFC #4) - Bylaw 3402-02, semi-annual payments of principal and interest at 5.9%, maturing in October 2027	19,952,649	20,590,705
Debenture 2004 (OSBFC #5) - Bylaw 3601-04, semi-annual payments of principal and interest at 5.483%, maturing in November 2026	23,736,073	24,403,938
Loan 2006 (OFA - GPTL 1) - Bylaw 3801-06, semi-annual payments of principal and interest at 4.56%, maturing in November 2031	4,131,415	4,242,725
Loan 2008 (OFA - GPTL 2) - Bylaw 4001-08, semi-annual payments of principal and interest at 4.9%, maturing in March 2033	1,816,164	1,858,762
Loan 2010 (OFA - GPTL, PCS, PTR) - Bylaw 4202-10, semi-annual payments of principal and interest at 5.232%, maturing in April 2035	11,260,963	-
	<u>84,488,583</u>	<u>76,664,465</u>

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

8. Net Long-Term Liabilities (continued)

	<u>2010</u>	<u>2009</u>
Sinking Fund Debentures		
Sinking Fund Debenture (OMIC #1 1991) - Bylaw 2301-91, semi-annual payments of principal and interest at 9.81%, maturing in May 2011	4,456,000	4,456,000
Sinking Fund Debenture (OMIC #2 1991) - Bylaw 2303-91, semi-annual payments of principal and interest at 9.86%, maturing in June 2011	3,819,000	3,819,000
Sinking Fund Debenture (OMIC #1 1992) - Bylaw 2401-92, semi-annual payments of principal and interest at 9.17%, maturing in July 2012	7,434,000	7,434,000
Sinking Fund Debenture (OSBFC #2 2000) - Bylaw 3202-00, semi-annual payments of principal and interest at 6.3%, maturing in September 2010	68,155,000	68,155,000
Sinking Fund Debenture (OSBFC #3 2003) - Bylaw 3401-02, semi-annual payments of principal and interest at 5.7%, maturing in October 2017	2,823,700	2,823,700
	86,687,700	86,687,700
	171,176,283	163,352,165
Less market value of sinking fund assets	(34,412,829)	(29,731,595)
	\$136,763,454	\$133,620,570

Included in net long-term liabilities are outstanding debentures of \$86,687,700 (2009 - \$86,687,700) secured by sinking fund assets with a carrying and market value of \$34,412,829 (2009 - \$29,731,595). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures.

Principal payments, including the minimum contributions required to the sinking funds, relating to net long-term liabilities of \$136,763,454 outstanding as at August 31, 2010 are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2010-11	\$ 5,717,843	\$ 8,947,611	\$ 14,665,454
2011-12	4,390,769	5,706,014	10,096,783
2012-13	4,355,141	4,721,452	9,076,593
2013-14	4,677,509	4,410,482	9,087,991
2014-15	5,008,952	4,074,711	9,083,663
Thereafter	62,745,417	27,574,833	90,320,250
	\$ 86,895,631	\$ 55,435,103	\$142,330,734

Le Conseil Scolaire de District Catholique Centre - Sud has assumed responsibility for the repayment of \$112,930 of the net long-term liabilities. Principal amounting to \$130,145 plus interest amounting to \$240,232 are recoverable over the next five years from this school board.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

9. Accumulated Surplus (Deficit)

Accumulated surplus (deficit) consists of the following:

	<u>2010</u>	<u>2009</u>
Invested in tangible capital assets	\$ 96,373,380	\$ 82,419,589
Amounts restricted for future use by board		
- pupil accommodation debt	-	16,941,679
Amounts restricted for future use by Ministry of Education		
- receivable for approved capital	148,655,208	-
Amounts restricted for future use by board		
- employee future benefits	(21,708,002)	(20,287,498)
Amounts restricted for future use by board		
- interest accrued	(4,106,018)	(3,989,156)
Amounts restricted for future use by board		
- vacation accrued	(848,917)	(832,229)
Amounts restricted for future use by board		
- St. Peter the Apostle working funds	20,638	-
Amounts restricted for future use by board		
- St. Peter the Apostle music program	35,567	-
Amounts restricted for future use by board		
- St. Peter the Apostle professional development	1,210	-
Amounts restricted for future use by Ministry of Education		
- St. Peter the Apostle computers	41,460	-
Amounts restricted for future use by Ministry of Education		
- proceeds of disposition	28,037	28,037
Amounts restricted for future use by board		
- school generated funds	1,739,042	1,925,805
Other - operating	(973,544)	(547,352)
	<u>\$219,258,061</u>	<u>\$ 75,658,875</u>

10. Debt Charges and Interest

	<u>2010</u>	<u>2009</u>
Principal payments on long-term liabilities including contributions to sinking funds	\$ 8,118,079	\$ 6,704,312
Interest payments on long-term liabilities	8,005,801	11,182,526
	<u>\$ 16,123,880</u>	<u>\$ 17,886,838</u>

Included in debt repayment and sinking fund contributions on the Consolidated Statement of Cash Flow in total of \$8,118,079 (2009 - \$6,704,312) are principal payments on long-term debt of \$5,313,235 (2009 - \$5,107,519) and sinking fund interest revenue of \$2,804,844 (2009 - \$1,596,793).

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

11. Expenses By Object

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

	Budget August 31 2010	Actual August 31 2010	Actual August 31 2009
Salary and wages	\$151,394,108	\$153,205,215	\$145,801,577
Employee benefits	22,311,321	21,942,134	21,339,583
Staff development	538,212	617,049	797,016
Supplies and services	19,892,893	23,729,778	26,036,570
Interest charges on capital	10,684,721	10,927,505	11,182,526
Rental expenses	501,923	606,584	593,378
Fees and contract services	12,920,796	13,093,381	13,251,122
Other	548,487	523,136	710,570
Transfer to other boards	-	150,691	150,691
Amortization of tangible capital assets	10,030,466	10,558,198	9,278,220
	\$228,822,927	\$235,353,671	\$229,141,253

12. 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.

13. Contractual Obligations and Contingent Liabilities

The Board has outstanding contractual obligations of approximately \$11,367,875 and outstanding letters of credit of \$376,542 for uncompleted capital projects at August 31, 2010.

The Board has a number of claims outstanding relating to construction liens and other lawsuits as well as potential lawsuits and/or claims. The Board does not anticipate any significant losses in these matters. Some matters are currently in litigation but no rulings have been made. Any losses will be recorded in the year of settlement.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

14. Commitments

The Board has operating leases for its premises at 80 Bell Farm Road in Barrie at \$11,569 to \$13,078 per month until May 2014 and for the premises of the Simcoe County Student Transportation Consortium at 566 Bryne Drive in Barrie at \$1,672 per month until July 2011. The Board also is obligated to fulfil the lease agreement for the offices of the former Parry Sound Roman Catholic School Board until the end of its term in April 2012 at \$2,576 per month.

The Board also has a lease for its local loop fibre-optic internet connection at \$47,403 per month until September 2016.

The minimum annual lease payments for the next five years are as follows:

2011	\$ 764,014
2012	731,733
2013	716,718
2014	686,538
2015	<u>568,836</u>
	<u>\$ 3,467,839</u>

15. Tuition Fees

During the year the Board billed the Beausoleil and Rama First Nations, on behalf of First Nations pupils, \$234,447 in tuition fees.

16. Adjustments to School Activities Funds

During 2010 it was discovered that some schools had provided incorrect or incomplete information in fiscal 2009. The net effect of these instances is reported as an adjustment to the opening fund balance for 2010 of \$(63,821).

17. Amalgamation

Effective September 1, 2009, Simcoe Muskoka Catholic District School Board amalgamated with the Parry Sound Roman Catholic Separate School Board and is continuing its operations as the Simcoe Muskoka Catholic District School Board. The prior year comparative amounts presented represent only the amounts from the predecessor organization, the Simcoe Muskoka Catholic District School Board.

18. Subsequent Event

In September 2010 the board entered into a loan with the Ontario Financing Authority in the amount of \$54,649,497. This loan bears interest at 3.942% and matures in September 2025. The purpose of this loan was to refinance the OSBFC #2 2000 sinking fund debenture that had matured.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

19. Budget Data

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 budget as presented in the revised estimates approved by the Board on November 17, 2009. Capitalization of assets, amortization, and gains and losses on disposal were not contemplated on development of the budget and, as such, have not been included. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2010 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

	Approved Revised Estimates August 31 2010	Capital Asset Expenditure	Amortization	Restated Revised Estimates August 31 2010
Total Revenue	\$220,266,400	\$ -	\$ -	\$220,266,400
Total Expenditure	218,792,461	(527,732)	10,558,198	228,822,927
Annual Surplus (Deficit)	1,473,939	527,732	(10,558,198)	(8,556,527)
Accumulated Surplus (Deficit) at beginning of year	78,009,484	-	-	78,009,484
Accumulated Surplus (Deficit) at end of year	\$ 79,483,423	\$ 527,732	\$ (10,558,198)	\$ 69,452,957

The above information are the combined balances from the former operating, capital, reserve and school generated funds.

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

20. Partnership in Simcoe County Student Transportation Consortium

On May 30, 2002 the Simcoe County Student Transportation Consortium ("Transportation Consortium") was incorporated. On May 31, 2007 the Board entered into an agreement with the Simcoe County District School Board 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 created at the time the Transportation Consortium was established, decisions related to the financial and operating activities of the Transportation Consortium are to be shared. No partner is in a position to exercise unilateral control.

Although the Transportation Consortium is a separate legal entity, a number of the Transportation Consortium's administrative and managerial practices are still segregated by the partner Boards. The Transportation Consortium's actual operating structure is more like that of a joint transportation services department than that of a separate legal entity. The Transportation Consortium has no separate bank account and all transactions are flowed through the partner Boards' bank accounts.

The Transportation Consortium is proportionately consolidated in the Simcoe Muskoka Catholic District School Board's consolidated financial statements whereby the Board's pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

The following provides condensed financial information for the Transportation Consortium.

	2010		2009	
	Total	Board Portion	Total	Board Portion
Financial Position				
Financial assets	\$ 42,688	\$ 17,426	\$ 41,519	\$ 15,165
Liabilities	42,688	36,688	41,519	35,519
Accumulated surplus (deficit)	\$ -	\$ (19,262)	\$ -	\$ (20,354)
Operations				
Revenues	\$ 30,321,712	\$ 11,851,859	\$ 30,145,744	\$ 11,715,980
Expenses	30,321,712	11,851,859	30,145,744	11,715,980
Annual surplus (deficit)	\$ -	\$ -	\$ -	\$ -

Simcoe Muskoka Catholic District School Board
Notes to Consolidated Financial Statements
For the Year Ended August 31, 2010

21. Future Accounting for Contributions Used for Capital

In the Ministry of Finance Addendum to the 2010 Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management, the government provided direction to school boards on the accounting treatment of capital contributions. This addendum proposes that, effective the fiscal year beginning on September 1, 2010, school boards in Ontario will adopt accounting policies consistent with the Province of Ontario, which include a policy to recognize government transfers and external contributions used in the acquisition of tangible capital assets over the period that the asset is expected to provide service. This policy is to ensure consistency with the current practice of senior governments in Canada and other major broader public-sector organizations (hospitals, colleges and universities), and to ensure that school board operating surpluses or deficits are not distorted by capital grant revenues.

This accounting treatment is not currently a recognized option by the Public Sector Accounting Standards Board (PSAB) and could not be implemented within these financial statements.
