



Consolidated Financial Statements

Simcoe Muskoka Catholic District School Board

August 31, 2016

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MANAGEMENT REPORT

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 accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in Note 1 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 Audit Committee of 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 Grant Thornton LLP, independent external auditors appointed by the Board. The accompanying Independent Auditor's 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 30, 2016

Our Mission: Our inclusive Catholic learning community is dedicated to excellence. We give witness to the teachings of Jesus Christ, as we journey in faith and learning, to develop the God-given abilities of each person.

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the Simcoe Muskoka Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, the consolidated statements of operations, cash flows and changes in net debt for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in Note 1 to the consolidated financial statements, 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 consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Simcoe Muskoka Catholic District School Board as at and for the year ended August 31, 2016 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1 to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.



Orillia, Ontario
November 30, 2016

Chartered Professional Accountants
Licensed Public Accountant

Simcoe Muskoka Catholic District School Board Consolidated Statement of Operations

Years ended August 31	Budgeted	2016	2015
	(Note 19)		
Revenue			
Provincial grants			
- Grants for student needs	\$ 182,107,851	\$ 185,697,533	\$ 182,094,833
- Other	44,143,555	44,494,504	45,043,190
School generated funds	6,897,541	7,151,720	7,148,260
Federal grants and fees	459,312	402,302	455,533
Investment income	50,000	58,235	134,557
Other fees and revenue	374,608	3,578,690	4,804,732
Other revenues – school boards	-	75,232	84,123
Deferred capital contribution revenue	<u>11,778,022</u>	<u>11,721,273</u>	<u>10,785,780</u>
Total revenue	<u>245,810,889</u>	<u>253,179,489</u>	<u>250,551,008</u>
Expenses (Note 12)			
Instruction	182,399,073	190,146,611	186,099,438
Administration	6,256,578	6,538,036	6,327,094
Transportation	11,688,174	11,697,400	11,361,436
Pupil accommodation	37,393,516	38,464,099	37,756,504
School generated funds	7,017,541	6,862,664	7,029,202
Other	<u>603,125</u>	<u>407,141</u>	<u>405,127</u>
Total expenses	<u>245,358,007</u>	<u>254,115,951</u>	<u>248,978,801</u>
Annual surplus (deficit)	<u>452,882</u>	<u>(936,462)</u>	<u>1,572,207</u>
Accumulated surplus, beginning of year	<u>26,172,493</u>	<u>27,548,148</u>	<u>25,975,941</u>
Accumulated surplus, end of year	<u>\$ 26,625,375</u>	<u>\$ 26,611,686</u>	<u>\$ 27,548,148</u>

See accompanying notes to the consolidated financial statements.

Simcoe Muskoka Catholic District School Board Consolidated Statement of Financial Position

August 31

2016

2015

Financial assets

Cash and cash equivalents	\$ 500,076	\$ 6,745,950
Receivables (Note 2)	115,944,958	130,922,777
Other assets	<u>26,535</u>	<u>39,740</u>
	<u>116,471,569</u>	<u>137,708,467</u>

Liabilities

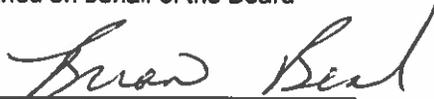
Bank indebtedness (Note 7)	5,052,500	6,926,500
Payables and accruals	10,125,261	19,003,585
Liability for contaminated site (Note 11)	896,420	910,809
Deferred revenue (Note 4)	3,702,256	3,879,237
Retirement and other employee future benefits liabilities (Note 6)	8,944,072	10,676,313
Net long-term liabilities (Note 8)	108,305,210	116,327,887
Deferred capital contributions (Note 5)	<u>233,780,793</u>	<u>236,400,881</u>
	<u>370,806,512</u>	<u>394,125,212</u>

Net debt	<u>(254,334,943)</u>	<u>(256,416,745)</u>
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Non-financial assets

Prepaid expenses	298,130	576,837
Tangible capital assets (Note 3)	<u>280,648,499</u>	<u>283,388,056</u>
Total non-financial assets	<u>280,946,629</u>	<u>283,964,893</u>
Accumulated surplus (Note 9)	\$ <u>26,611,686</u>	\$ <u>27,548,148</u>

Signed on behalf of the Board


Director of Education


Board Chair

See accompanying notes to the consolidated financial statements.

Simcoe Muskoka Catholic District School Board

Consolidated Statement of Cash Flows

August 31

2016

2015

Increase (decrease) in cash

Operating activities

Annual (deficit) surplus	\$ (936,462)	\$ 1,572,207
Sources and (uses)		
Non-cash items including amortization, write downs and gain/loss on disposal	12,584,758	11,640,864
Deferred gain on disposal of restricted asset	(563,612)	-
Decrease in accounts receivable	14,977,819	4,015,917
(Decrease) increase in payables and accruals	(8,878,324)	8,165,363
Decrease in liability for contaminated site	(14,389)	(89,191)
(Decrease) increase in deferred revenue	(176,981)	135,141
(Decrease) increase in deferred capital contributions	(2,620,088)	6,576,778
(Decrease) in retirement and other employee future benefits liabilities	(1,732,241)	(756,295)
Decrease (increase) in non-financial assets – prepaid expenses	278,707	(133,316)
Decrease in other assets	<u>13,205</u>	<u>18,081</u>
	<u>12,932,392</u>	<u>31,145,549</u>

Financing activities

Decrease in temporary borrowing	(1,874,000)	(1,702,000)
Long term financing issued	-	197,176
Debt repaid and sinking fund contributions	<u>(8,022,677)</u>	<u>(8,459,596)</u>
	<u>(9,896,677)</u>	<u>(9,964,420)</u>

Capital activities

Proceeds on sale of tangible capital asset	577,913	-
Cash used to acquire tangible capital assets	<u>(9,859,502)</u>	<u>(19,805,566)</u>
	<u>(9,281,589)</u>	<u>(19,805,566)</u>

(Decrease) increase in cash and cash equivalents during the year	(6,245,874)	1,375,563
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Cash and cash equivalents, beginning of year	<u>6,745,950</u>	<u>5,370,387</u>
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Cash and cash equivalents, end of year	<u>\$ 500,076</u>	<u>\$ 6,745,950</u>
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See accompanying notes to the consolidated financial statements.

Simcoe Muskoka Catholic District School Board Consolidated Statement of Changes in Net Debt

Years ended August 31	Budgeted	2016	2015
	(Note 19)		
Annual surplus (deficit)	\$ <u>452,882</u>	\$ <u>(936,462)</u>	\$ <u>1,572,207</u>
Acquisition of tangible capital assets	(9,414,161)	(9,859,502)	(19,805,566)
Amortization of tangible capital assets	12,627,782	12,584,758	11,640,864
Proceeds on sale of tangible capital assets	-	577,913	-
Gain on sale of tangible capital assets	-	(563,612)	-
	<u>3,213,621</u>	<u>2,739,557</u>	<u>(8,164,702)</u>
Decrease (increase) in non-financial assets – prepaid expenses	<u>-</u>	<u>278,707</u>	<u>(133,316)</u>
Decrease (increase) in net debt	\$ <u>3,666,503</u>	<u>2,081,802</u>	<u>(6,725,811)</u>
Net debt, beginning of year	<u>(256,334,575)</u>	<u>(256,416,745)</u>	<u>(249,690,934)</u>
Net debt, end of year	\$ <u>(252,668,072)</u>	\$ <u>(254,334,943)</u>	\$ <u>(256,416,745)</u>

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

1. Significant accounting policies

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian Public Sector Accounting Standards which require that

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

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

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

1. Significant accounting policies (continued)

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 Student Transportation Consortium (Note 18)
- School Generated Funds

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

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.

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 90 days or less.

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 the Consolidated Financial Statements

August 31, 2016

1. Significant accounting policies (continued)

Deferred Capital Contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets received or receivable for use in providing services, shall be recognized as deferred capital contribution as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

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

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, health care and dental 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, health care cost trends, disability recovery rate, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

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.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

1. Significant accounting policies (continued)

Retirement and Other Employee Future Benefits (continued)

- (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.

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 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 to 15 years
Furniture	10 years
First time equipping	10 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 years

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

1. Significant accounting policies (continued)

Tangible Capital Assets (continued)

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as "assets held for sale" on the consolidated statement of financial position.

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

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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions (DCC) and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

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.

Long-term Liabilities

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

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

1. Significant accounting policies (continued)

Budget Figures

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

Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and reported revenues and expenditures during the year. Accounts subject to significant estimates include retirement and other employee future benefits and estimated useful lives of tangible capital assets. 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.

2. Receivables

	<u>2016</u>	<u>2015</u>
Government of Ontario Approved Capital	\$ 110,084,539	\$ 123,360,778
Other	<u>5,860,419</u>	<u>7,561,999</u>
	<u>\$ 115,944,958</u>	<u>\$ 130,922,777</u>

Government of Ontario Approved Capital

The Province of Ontario (Province) replaced variable capital funding with a one-time debt support grant in 2009-10. Simcoe Muskoka Catholic District School Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive annually, capital grants to support capital programs which would be reflected in this account receivable.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

3. Tangible Capital Assets

	Opening Balance September 1, 2015	Additions/ Transfers	Costs		Closing Balance August 31, 2016	Opening Balance September 1, 2015	Accumulated amortization		Closing Balance August 31, 2016	Net Book Value 2016	Net Book Value 2015
			Disposals/ Transfers				Amortization	Disposals			
Land	\$ 36,544,876	\$ 690,316	\$ 14,301	\$ 37,220,891	\$ -	\$ -	\$ -	\$ -	\$ 37,220,891	\$ 36,544,876	
Land improvements	2,114,230	87,582	-	2,201,812	1,066,324	154,815	-	1,221,139	980,673	1,047,906	
Building	359,041,632	17,105,412	-	376,147,044	129,528,009	11,076,197	-	140,604,206	235,542,838	229,513,623	
Portable structures	6,839,423	-	-	6,839,423	5,339,736	285,435	-	5,625,171	1,214,252	1,499,687	
Construction in progress	8,697,522	-	8,697,522	-	-	-	-	-	-	8,697,522	
Equipment – 5 years	38,435	13,205	-	51,640	9,801	9,007	-	18,808	32,832	28,634	
Equipment – 10 years	5,928,442	27,316	78,369	5,877,389	1,938,849	590,291	78,369	2,450,771	3,426,618	3,989,593	
Equipment – 15 years	304,513	-	-	304,513	91,354	20,301	-	111,655	192,858	213,159	
Furniture	18,106	30,237	18,106	30,237	17,202	2,417	18,106	1,513	28,724	904	
First time equipping	3,388,365	552,847	597,601	3,343,611	1,764,268	336,599	597,601	1,503,266	1,840,345	1,624,097	
Computer hardware	335,297	-	23,540	311,757	196,751	64,706	23,540	237,917	73,840	138,546	
Computer software	98,990	-	-	98,990	51,105	19,798	-	70,903	28,087	47,885	
Vehicles	401,069	50,109	54,449	396,729	359,445	25,192	54,449	330,188	66,541	41,624	
	<u>\$ 423,750,900</u>	<u>\$ 18,557,024</u>	<u>\$ 9,483,888</u>	<u>\$ 432,824,036</u>	<u>\$ 140,362,844</u>	<u>\$ 12,584,758</u>	<u>\$ 772,065</u>	<u>\$ 152,175,537</u>	<u>\$ 280,648,499</u>	<u>\$ 283,388,056</u>	

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

3. Tangible Capital Assets (continued)

Assets under construction

Assets under construction having a value of \$nil (2015 - \$8,697,522) have not been amortized. Amortization of these assets will commence when the assets are put in to service.

4. Deferred Revenue

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

Deferred revenue set-aside for specific purposes by legislation, regulation or agreement as at August 31, 2016 is comprised of:

	<u>2016</u>	<u>2015</u>
Learning Improvements		
Balance, beginning of year	\$ 881,517	\$ 1,633,939
Externally restricted revenue	31,893,781	30,053,793
Revenue recognized in the period	<u>(32,380,720)</u>	<u>(30,806,215)</u>
Balance, end of year	<u>394,578</u>	<u>881,517</u>
Education Development Charges		
Balance, beginning of year	243,121	240,737
Externally restricted revenue	1,911,152	1,717,014
Revenue recognized in the period	<u>(1,913,821)</u>	<u>(1,721,560)</u>
Interest earned	<u>4,425</u>	<u>6,930</u>
Balance, end of year	<u>244,877</u>	<u>243,121</u>
Pupil Accommodation – School Renewal, School Condition Improvement and Retrofitting School Space for Child Care		
Balance, beginning of year	2,038,005	1,369,306
Externally restricted revenue	3,323,804	5,048,042
Revenue recognized in the period	<u>(864,383)</u>	<u>(698,959)</u>
Transfers to deferred capital contributions	<u>(1,925,849)</u>	<u>(3,680,384)</u>
Balance, end of year	<u>2,571,577</u>	<u>2,038,005</u>
Proceeds of Disposal		
Balance, beginning of year	-	-
Externally restricted revenue	<u>423,688</u>	-
Balance, end of year	<u>\$ 423,688</u>	<u>\$ -</u>

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

4. Deferred Revenue (continued)

	<u>2016</u>	<u>2015</u>
Deferred revenue – externally restricted	\$ 3,634,720	\$ 3,162,643
Other deferred revenue	<u>67,536</u>	<u>716,594</u>
Total deferred revenue	\$ <u>3,702,256</u>	\$ <u>3,879,237</u>

5. Deferred capital contributions

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

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 236,400,881	\$ 229,824,103
Additions to deferred capital contributions	9,101,185	17,362,558
Revenue recognized in the period	<u>(11,721,273)</u>	<u>(10,785,780)</u>
Balance, end of year	\$ <u>233,780,793</u>	\$ <u>236,400,881</u>

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

6. Retirement and other employee future benefits

a) Employee future benefits liabilities:

	<u>Retirement Benefits</u>	<u>Other Employee Future Benefits</u>	<u>2016 Total Employee Future Benefits</u>	<u>2015 Total Employee Future Benefits</u>
Accrued employee future benefits obligation	\$ 8,724,363	\$ 1,400,419	\$ 10,124,782	\$ 11,339,341
Unamortized actuarial gains	<u>(1,180,710)</u>	<u>-</u>	<u>(1,180,710)</u>	<u>(663,028)</u>
Employee future benefits liability	<u>\$ 7,543,653</u>	<u>\$ 1,400,419</u>	<u>\$ 8,944,072</u>	<u>\$ 10,676,313</u>

b) Employee future benefits expenses:

Current year benefit cost	\$ -	\$ 300,975	\$ 300,975	\$ 252,889
Interest on accrued benefits obligation	231,390	31,021	262,411	372,660
Recognized actuarial loss (gain)	68,589	11,453	80,042	15,703
Change due to voluntary early payout	<u>(199,214)</u>	<u>-</u>	<u>(199,214)</u>	<u>-</u>
Employee future benefit expenses	<u>\$ 100,765</u>	<u>\$ 343,449</u>	<u>\$ 444,214</u>	<u>\$ 641,252</u>

During the year, benefit payments of \$2,176,455 (2015 – \$1,397,547) were made.

The employee future benefits expenses above exclude pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described below.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

6. Retirement and other employee future benefits (continued)

Actuarial Assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2016 are based on the most recent actuarial valuations for accounting purposes as at August 31, 2016. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2016</u>	<u>2015</u>
Inflation		
Carry-over sick leave credits	1.5%	1.5%
Workplace Safety and Insurance Board benefit	2.0%	2.0%
Wage and salary escalation		
Carry-over sick leave credits	2%	0%
Health care cost trend		
Long-term disability and health care benefits	8.0%	8.5%
Continuation of subsidized group benefits while on LTD	8.0%	8.5%
Dental care cost trend		
Long-term disability and health care benefits	4.0%	4.5%
Continuation of subsidized group benefits while on LTD	4.0%	4.5%
Discount on accrued benefit obligations		
Retirement Gratuities	2.05%	2.45%
Long-term disability and health care benefits	2.05%	2.45%
Continuation of subsidized group benefits while on LTD	2.05%	2.45%
Workplace Safety and Insurance Board benefit	2.05%	2.45%

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 consolidated financial statements.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

6. Retirement and other employee future benefits (continued)

Retirement Benefits (continued)

(ii) Ontario Municipal Employees Retirement System

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2016, the Board contributed \$2,905,759 (2015 - \$2,749,662) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

(iii) Retirement Gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days and years of service at August 31, 2012.

Voluntary Retirement Gratuity Early Payout Provision

During 2015-16, OECTA ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided OECTA members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 2016.

This provision was also made available to all non-unionized school board employees, including principals and vice-principals. These payments were made by August 31, 2016.

Some employees took the early payouts, which were discounted from the current financial statement carrying values. As a result, the reduction in the liability for those members who took the voluntary retirement gratuity early payout option was accompanied by actuarial gains in the board's 2015-16 year financial statements. This resulted in the board's employee future benefit liability decreasing by \$199,214.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

6. Retirement and other employee future benefits (continued)

Retirement Benefits (continued)

(iv) 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 insurance premiums for the year ended August 31, 2016 were \$2,628,969 (2015 - \$1,270,871) and are included in the Board's current year benefit costs. No liabilities for claims by its injured workers under the Act are included in the Board's consolidated financial statements. The plan changes made in 2012 require school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision.

Other Employee Future Benefits

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

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave. The Board is responsible for the payment 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.

(vi) Sick Leave Top-Up Benefits

A maximum of eleven unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short-term leave and disability plan in that year. The benefit costs expensed in the financial statements are \$79,813 (2015 - \$68,585).

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2016 (the date at which the probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2016.

(vii) Life insurance, health care and dental benefits

The Board provides a separate life insurance benefits plan for certain retirees. The Board also sponsors a separate plan for retirees to provide group health care and dental benefits. The premiums for this plan are based on the experience of this group. In 2015-2016, the premiums collected were not sufficient to cover the costs. The benefit costs and liabilities related to the shortfall of these retirees under this group plan are included in the Board's consolidated financial statements. This plan was discontinued in December 2015.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

6. Retirement and other employee future benefits (continued)

Other Employee Future Benefits (continued)

Benefit Plan Future Changes

Currently, the Board provides health, dental and life insurance benefits for certain employees and retired individuals from school boards and has assumed liability for payment of benefits under these plans.

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, Employee Life and Health Trusts (ELHTs) will be established in 2016-17 for the following employee groups: OSSTF-EW, OECTA, CUPE and non-unionized employees including principals and vice-principals.

The ELHTs will provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), other school board staff and retired individuals up to a school board's participation date into the ELHT. These benefits will be provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario.

By August 31, 2017, the Board will no longer be responsible to provide benefits to the above mentioned groups. The Board will transfer to the ELHTs an amount per full-time equivalency based on the 2014-15 actual benefit costs + 8.16% representing inflationary increases for 2015-16 and 2016-17. In addition, the Ministry of Education will provide an additional \$300 per FTE for active employees to the school board. These amounts will then be transferred to the Trust for the provision of employee and retiree benefits.

7. Bank indebtedness

The Board has lines of credit available to the maximum of \$15 million to address operating requirements. As at August 31, 2016, \$ nil had been drawn. (2015 – \$ nil)

The Board also has non-revolving demand education development charges loan credit available to a maximum of \$9 million to finance eligible education land costs for new school construction. As at August 31, 2016, the amount drawn under this facility was \$5,052,500 (2015 - \$6,926,500) at a rate of 2%.

Interest on the operating facilities is the bank's prime lending rate less 0.25%, while banker's acceptances for terms not exceeding 6 months have interest repayable monthly at a rate of 0.75%. All loans are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdrafts.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

8. Net long-term liabilities

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

	<u>2016</u>	<u>2015</u>
Debentures		
Debenture 1996 (1) - Bylaw 2801-96, semi-annual payments of principal and interest at 8.5% to 9.1%, maturing in May 2016	-	750,000
Debenture 1996 (2) - Bylaw 2803-96, semi-annual payments of principal and interest at 6.75% to 7.5%, maturing in December 2016	350,000	675,000
Debenture 1997 - Bylaw 2903-97, semi-annual payments of principal and interest at 6.25% to 6.8%, maturing in December 2017	708,000	1,030,000
Debenture 2000 (OSBFC #1) - Bylaw 3201-00, semi-annual payments of principal and interest at 7.2%, maturing in December 2025	8,467,996	9,117,710
Debenture 2002 (OSBFC #4) - Bylaw 3402-02, semi-annual payments of principal and interest at 5.9%, maturing in October 2027	15,237,089	16,141,519
Debenture 2004 (OSBFC #6) - Bylaw 3601-04, semi-annual payments of principal and interest at 5.483%, maturing in November 2026	18,873,000	19,796,927
Loan 2006 (OFA - GPL 1) - Bylaw 3801-06, semi-annual payments of principal and interest at 4.56%, maturing in November 2031	3,347,073	3,492,962
Loan 2008 (OFA - GPL 2) - Bylaw 4001-08, semi-annual payments of principal and interest at 4.9%, maturing in March 2033	1,512,355	1,569,310
Loan 2010 (OFA - GPL, PCS, PTR) - Bylaw 4201-10, semi-annual payments of principal and interest at 5.232%, maturing in April 2035	9,699,547	9,994,501
Loan 2010 (OFA - NPP) - Bylaw 4202-10, semi-annual payments of principal and interest at 3.942%, maturing in September 2025	37,984,145	41,286,248
Loan 2013 (OFA – Cap Priorities/PCS) - Bylaw 4501-13, semi-annual payments of principal and interest at 3.663%, maturing in June 2038	2,678,985	2,756,536
Loan 2014 (OFA - NPP, PCS, PTR, CP) – Bylaw 4501-14, semi-annual payments of principal and interest at 4.003%, maturing in March 2039	7,499,246	7,697,436
Loan 2015 (OFA - NPP) – Bylaw 4701-15, semi-annual payments of principal and interest at 2.993%, maturing in March 2040	<u>191,720</u>	<u>197,174</u>
	\$ 106,549,156	\$ 114,505,323

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

8. Net long-term liabilities (continued)

Sinking Fund Debentures

	<u>2016</u>	<u>2015</u>
Sinking Fund Debenture (OSBFC #3 2003) - Bylaw 340 1-02, semi-annual payments of principal and interest at 5.7%, maturing in October 2017	<u>2,823,700</u>	<u>2,823,700</u>
	109,372,856	117,329,023
Less market value of sinking fund assets	<u>(1,067,646)</u>	<u>(1,001,136)</u>
	\$ 108,305,210	\$ 116,327,887

Included in net long-term liabilities are outstanding sinking fund debentures of \$2,823,700 (2015 - \$2,823,700) secured by sinking fund assets with a carrying and market value of \$1,067,646 (2015 - \$1,001,136). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures.

Interest on long-term debt amounted to \$5,716,788 (2015 - \$6,201,152).

Principal payments, including the minimum contributions required to the sinking funds, relating to net long-term liabilities of \$108,305,210 outstanding as at August 31, 2016 (2015 - \$116,327,887) are due as follows:

	<u>Principal and Sinking Fund Contributions</u>	<u>Interest</u>	<u>Total</u>
2016 – 2017	\$ 7,632,135	\$ 5,307,347	\$ 12,939,482
2017 – 2018	7,641,474	4,852,421	12,493,895
2018 – 2019	7,572,084	4,404,763	11,976,847
2019 – 2020	7,945,240	4,031,607	11,976,847
2020 – 2021	8,337,784	3,639,062	11,976,846
Thereafter	<u>67,538,767</u>	<u>16,205,544</u>	<u>83,744,311</u>
	\$ 106,667,484	\$ 38,440,744	\$ 145,108,228

Le Conseil Scolaire de District Catholique Centre - Sud has assumed responsibility for the repayment of \$19,688 (2015 - \$17,335) of the net long-term liabilities. Principal amounting to \$40,639 (2015 - \$59,122) plus interest amounting to \$2,333 (2015 - \$6,178) are recoverable over the next five years from this school board.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

9. Accumulated Surplus

Accumulated surplus (deficit) consists of the following:	<u>2016</u>	<u>2015</u>
Operating	\$ (3,896,609)	\$ (483,109)
Amounts restricted by Board for future use		
School generated funds HST rebate	521,077	844,322
St. Peter the Apostle music program and computers	28,048	29,009
Excess amortization funding	360,028	241,090
Transportation Consortium	205,402	185,402
Technology reserve/ school budget	688,765	243,830
Committed sinking fund interest earned	4,914,241	5,323,761
Committed capital projects	4,387,858	4,960,775
Employee future benefits	(7,684,214)	(8,928,576)
Interest accrued	(1,599,007)	(1,719,947)
School generated funds	2,296,833	2,007,777
Liability for contaminated sites	(896,420)	(910,809)
Revenues recognized for land	<u>27,285,684</u>	<u>25,754,623</u>
	\$ <u>26,611,686</u>	\$ <u>27,548,148</u>

10. Debt charges and interest

	<u>2016</u>	<u>2015</u>
Principal payments on long-term liabilities including contributions to sinking funds	\$ 8,022,677	\$ 8,459,596
Interest payments on long-term liabilities	<u>5,716,788</u>	<u>6,201,152</u>
	\$ <u>13,739,465</u>	\$ <u>14,660,748</u>

Included in debt repayment and sinking fund contributions on the Consolidated Statement of Cash Flows in total of \$8,022,677 (2015 - \$8,459,596) are principal payments on long-term debt of \$8,015,330 (2015 - \$8,449,911) and sinking fund interest revenue of \$7,347 (2015 - \$9,685).

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

11. Liability for contaminated sites

A liability for contaminated sites was recorded due to contamination at the former site of Guardian Angels Catholic Elementary School. The liability was estimated based on the most recent site remediation report. A present value technique was not used as the spending for the remediation is expected to take place in the next fiscal year pending approval of sufficient funding.

12. Expenses by object

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

	<u>Budget</u>	<u>2016</u>	<u>2015</u>
	(Note 19)		
Salary and wages	\$ 165,315,969	\$ 170,091,409	\$ 167,167,569
Employee benefits	25,254,909	28,591,007	26,199,198
Staff development	367,761	487,829	576,031
Supplies and services	22,631,587	22,944,054	23,735,662
Interest charges on capital	5,624,937	5,716,788	6,201,152
Rental expenses	261,016	292,292	246,127
Fees and contract services	12,481,116	12,772,664	12,658,423
Other	792,930	635,150	553,775
Amortization of tangible capital assets	<u>12,627,782</u>	<u>12,584,758</u>	<u>11,640,864</u>
	<u>\$ 245,358,007</u>	<u>\$ 254,115,951</u>	<u>\$ 248,978,801</u>

13. Ontario School Board Insurance Exchange (OSBIE)

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24,000,000 per occurrence.

The ultimate premiums over a five year period are based on the reciprocals and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

14. Contractual obligations and contingent liabilities

The Board has outstanding contractual obligations of approximately \$1,334,174 (2015 - \$7,935,296) and outstanding letters of credit of \$551,788 (2015 - \$551,788) for uncompleted capital projects at August 31, 2016.

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.

15. Commitments

The Board has an operating lease for its local loop fibre-optic internet connection at \$47,403 per month until December 2021. The Board also has an operating lease agreement for computer equipment at a cost of \$91,822 per month until August 31, 2018.

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

2016	\$	1,552,550
2017		1,653,575
2018		<u>551,700</u>
	\$	<u>3,757,825</u>

16. Tuition fees

During the year the Board billed the First Nations the following tuition fees on behalf of First Nations pupils:

	<u>2016</u>	<u>2015</u>
Beausoleil First Nation	\$ 225,698	\$ 221,007
Chippewas of Rama First Nation	161,255	213,502
Magnetawan First Nation	9,842	9,955
Moose Deer Point First Nation	<u>5,507</u>	<u>11,069</u>
	\$ <u>402,302</u>	\$ <u>455,533</u>

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

17. Repayment of “55 School Board Trust” funding

On June 1, 2003, the Board received \$5,411,036 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The 55 School Board Trust was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, The 55 School Board Trust repaid the Board’s debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board’s financial position.

18. 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.

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. The Board’s pro-rata share is 50% except where the assets, liabilities, revenues and expenses can be directly tied to the Board’s ridership, whereupon the allocation is based on the Board’s ridership. Inter-organizational transactions and balances have been eliminated.

Simcoe Muskoka Catholic District School Board

Notes to the Consolidated Financial Statements

August 31, 2016

18. Partnership in Simcoe County Student Transportation Consortium (continued)

The following provides condensed financial information for the Transportation Consortium.

	2016		2015	
	<u>Total</u>	<u>Board Portion</u>	<u>Total</u>	<u>Board Portion</u>
Financial position				
Assets	\$ 1,695,093	\$ 586,629	\$ 2,676,442	\$ 946,580
Liabilities	<u>796,963</u>	<u>381,227</u>	<u>1,559,535</u>	<u>761,178</u>
Accumulated surplus	<u>\$ 898,130</u>	<u>\$ 205,402</u>	<u>\$ 1,116,907</u>	<u>\$ 185,402</u>
Operations				
Revenues	\$ 30,298,161	\$ 11,743,339	\$ 30,507,956	\$ 11,791,447
Expenses	<u>30,335,386</u>	<u>11,475,493</u>	<u>29,688,042</u>	<u>11,140,483</u>
Annual (deficit) surplus	<u>\$ (37,225)</u>	<u>\$ 267,846</u>	<u>\$ 819,914</u>	<u>\$ 650,964</u>

19. Budget reconciliation

The budget approved by the Board on June 3, 2015 was not prepared on a Public Sector Accounting Standards basis consistent with that used to report actual results. The budget was prepared on a modified accrual basis while Canadian Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated only reflect the planned results of the Board's operating activities, they do not incorporate budgeted figures for its capital operations. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget approved by the Board with adjustments as follows:

Budgeted accumulated surplus	\$	-
Operating accumulated surplus		263,039
Committed capital projects		(559,195)
Committed sinking fund interest earned		(409,520)
Excess amortization funding		118,956
Other amounts not available for compliance		<u>1,039,602</u>
Adjusted budgeted deficit per consolidated statement of operations	\$	<u>452,882</u>