

Simcoe Muskoka Catholic District School Board
Consolidated Financial Statements
For the year ended August 31, 2018

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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 the summary of significant accounting policies attached 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.

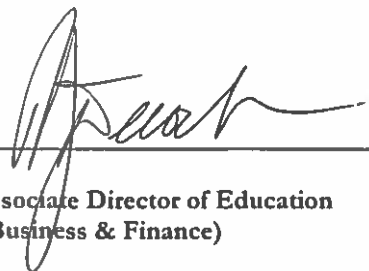
The Audit Committee of the Board meets with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Canada 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

November 21, 2018



**Associate Director of Education
(Business & Finance)**



Tel: 705-726-6331
Fax: 705-722-6588
www.bdo.ca

BDO Canada LLP
300 Lakeshore Drive
Suite 300
Barrie ON L4N 0B4 Canada

Independent Auditor's Report

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, 2018, the consolidated statements of operations, changes in net debt and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in the summary of significant accounting policies attached to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 audit 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, 2018 are prepared, in all material respects, in accordance with the basis of accounting described in the summary of significant accounting policies attached to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to the summary of significant accounting policies attached 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
November 21, 2018

**Simcoe Muskoka Catholic District School Board
Consolidated Statement of Financial Position**

August 31	2018	2017
Financial Assets		
Cash and cash equivalents	\$ 11,947,798	\$ 2,667,001
Accounts receivable	6,454,137	6,829,328
Accounts receivable - Government of Ontario (note 1)	93,199,492	102,690,789
Other assets	13,191	19,838
	111,614,618	112,206,956
Financial Liabilities		
Bank indebtedness (note 2)	742,500	2,422,500
Accounts payable and accrued liabilities	14,760,562	11,316,920
Liability for contaminated site (note 3)	-	35,974
Deferred revenue (note 4)	6,333,993	4,999,614
Deferred capital contributions (note 5)	217,655,584	225,114,374
Employee future benefits liability (note 6)	6,856,828	6,938,332
Net long-term debt (note 7)	91,393,874	100,664,213
	337,743,341	351,491,927
Net Debt	(226,128,723)	(239,284,971)
Non-Financial Assets		
Prepaid expenses	530,459	226,908
Tangible capital assets (note 8)	263,370,718	271,243,449
	263,901,177	271,470,357
Accumulated surplus (note 9)	\$ 37,772,454	\$ 32,185,386

Contingent Liabilities and Contractual Obligations (notes 14 and 15)

Signed on behalf of the Board



Director of Education



Chair of the Board

**Simcoe Muskoka Catholic District School Board
Consolidated Statement of Operations**

For the year ended August 31	Budget 2018	Actual 2018	Actual 2017
Revenues			
Provincial grants			
Grants for student needs	\$ 200,640,000	\$ 202,708,727	\$ 191,419,277
Local taxation and other	43,934,200	43,849,645	43,174,327
School generated funds	6,864,924	7,673,336	7,369,480
Federal grants and fees	341,310	288,627	318,220
Investment income	-	169,897	130,549
Other revenues - school boards	-	40,975	12,574
Other fees and revenues	908,037	3,189,088	4,473,103
Amortization of deferred capital contributions	13,253,851	12,714,421	12,320,916
	<u>265,942,322</u>	<u>270,634,716</u>	<u>259,218,446</u>
Expenses (note 10)			
Instruction	196,908,289	196,003,297	187,651,138
Administration	6,083,661	7,321,898	6,370,446
Transportation	11,640,422	12,576,033	11,832,786
Pupil accommodation	40,751,339	39,808,261	40,102,026
School generated funds	6,864,924	7,629,728	7,286,632
Other	403,127	1,708,431	401,718
	<u>262,651,762</u>	<u>265,047,648</u>	<u>253,644,746</u>
Annual surplus	3,290,560	5,587,068	5,573,700
Accumulated surplus, beginning of year	<u>28,697,176</u>	<u>32,185,386</u>	<u>26,611,686</u>
Accumulated surplus, end of year	<u>\$ 31,987,736</u>	<u>\$ 37,772,454</u>	<u>\$ 32,185,386</u>

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

For the year ended August 31	Budget 2018	Actual 2018	Actual 2017
Annual surplus	\$ 3,290,560	\$ 5,587,068	\$ 5,573,700
Tangible capital asset activity			
Acquisition of tangible capital assets	(9,988,076)	(5,730,143)	(3,780,726)
Amortization of tangible capital assets	14,120,750	13,602,874	13,185,776
Proceeds on sale of tangible capital assets allocated to deferred revenue	-	-	327,550
Gain on sale of tangible capital assets	-	-	(327,550)
Total tangible capital asset activity	4,132,674	7,872,731	9,405,050
Other non-financial asset activity			
Change in prepaid expenses	-	(303,551)	71,222
Change in net debt	7,423,234	13,156,248	15,049,972
Net debt, beginning of year *	(239,284,971)	(239,284,971)	(254,334,943)
Net debt, end of year	\$ (231,861,737)	\$ (226,128,723)	\$ (239,284,971)

* Net debt, beginning of year amount of \$(239,284,971) in the Budget 2018 column references the actual net debt, end of year reflected in the consolidated financial statements for the year ended August 31, 2017.

**Simcoe Muskoka Catholic District School Board
Consolidated Statement of Cash Flows**

For the year ended August 31	2018	2017
Operating transactions		
Annual surplus	\$ 5,587,068	\$ 5,573,700
Change in non-cash items including:		
Amortization of tangible capital assets	13,602,874	13,185,776
Deferred gain on disposal of restricted asset	-	(327,550)
Amortization of deferred capital contributions	(12,714,420)	(12,320,916)
Changes in non-cash operating balances		
Accounts receivable	375,191	(968,909)
Other assets	6,647	6,697
Accounts payable and accrued liabilities	3,443,642	1,191,659
Liability for contaminated site	(35,974)	(860,446)
Deferred revenue - operating	497,594	10,002
Employee future benefits liability	(81,504)	(2,005,740)
Prepaid expenses	(303,551)	71,222
Cash provided by operating transactions	10,377,567	3,555,495
Capital transactions		
Proceeds on sale of tangible capital assets	-	327,550
Cash used to acquire tangible capital assets	(5,730,143)	(3,780,726)
Cash applied to capital transactions	(5,730,143)	(3,453,176)
Financing transactions		
Decrease in temporary borrowing	(1,680,000)	(2,630,000)
Long-term debt repaid and sinking fund contributions	(10,406,011)	(7,572,971)
Decrease (increase) in sinking fund assets	1,135,672	(68,026)
Decrease in accounts receivable - Government of Ontario	9,491,297	7,393,750
Deferred capital contributions received	5,255,630	3,654,497
Increase in deferred revenue - capital	836,785	1,287,356
Cash provided by financing transactions	4,633,373	2,064,606
Net change in cash and cash equivalents	9,280,797	2,166,925
Cash and cash equivalents, beginning of year	2,667,001	500,076
Cash and cash equivalents, end of year	\$ 11,947,798	\$ 2,667,001

Simcoe Muskoka Catholic District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2018

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 Administrative 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 services at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue, be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

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

As a result, revenue recognized in the 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 Summary of Significant Accounting Policies

For the year ended August 31, 2018

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 Simcoe Muskoka Catholic District School Board ("the Board") and which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues and expenses of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

The assets, liabilities, revenues and expenses of the Simcoe County Student Transportation Consortium are reflected in these consolidated financial statements.

Inter-departmental and inter-entity 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.

Deferred Revenue

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

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

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

Simcoe Muskoka Catholic District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2018

Employee Life and Health Trusts

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) were established in 2016-17 and 2017-18 for all employee groups. The following ELHTs were established in 2016-17: OSSTF-EW and OECTA. The following ELHTs were established in 2017-18: CUPE and non-unionized employees including principals and vice principals.

The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), and other school board staff as of the date the group transitioned to the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. School boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution as well as a Stabilization Adjustment.

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, dental, health care, retirement gratuity, and workplace insurance benefits.

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, insurance and health care cost trends, long-term inflation rates and discount rates. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days (if applicable) 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. 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.

Simcoe Muskoka Catholic District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2018

Retirement and Other Employee Future Benefits - continued

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workplace insurance benefits, 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 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.

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:

Asset	Estimated Useful Life in Years
Land improvements with finite lives	15
Buildings	40
Portable structures	20
Equipment	5 - 15
Furniture	10
First time equipping of schools	10
Computer hardware	5
Computer software	5
Vehicles	5

Simcoe Muskoka Catholic District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2018

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

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

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 the 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 Debt

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

Simcoe Muskoka Catholic District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2018

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. Given differences between the funding model and the basis of accounting used by the Board in the preparation of the consolidated financial statements, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the year. These estimates and assumptions are based on management's historical experience, best knowledge of current events and actions the Board may undertake in the future. The principal estimates used in the preparation of these consolidated financial statements are the determination of the liability for employee future benefits and the estimated useful life of tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Property Tax Revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

1. Accounts Receivable - Government of Ontario

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-2010. 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 yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of Ontario of \$93,199,492 as at August 31, 2018 (2017 - \$102,690,789) with respect to capital grants.

2. Bank Indebtedness

The Board has a line of credit available to the maximum of \$15,000,000 to address operating requirements. As of August 31, 2018, \$NIL had been drawn (2017 - \$NIL).

The Board also has non-revolving demand education development charges loan credit available to a maximum of \$9,000,000 to finance eligible education land costs for new school construction. As at August 31, 2018, the amount drawn under this facility was \$742,500 (2017 - \$2,422,500) at a rate of 1.821% (2017 - 1.301%).

Interest rates on the operating line of credit and non-revolving demand education development charges loan credit are the bank's prime lending rate less 0.50% and 0.25% respectively, while banker's acceptance for terms not exceeding 6 months have interest payable monthly at an agreed upon rate plus a stamping fee of 0.75% per annum. All loans are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdrafts.

3. Liability for Contaminated Site

A liability for a contaminated site was recorded in the prior year 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. The liability has been reduced to \$NIL in the current year as the remediation is complete as at August 31, 2018.

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

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, 2018 is comprised of:

	Balance as at August 31, 2017	Externally Restricted Revenue and Investment Income	Transfer to Deferred Capital Contributions	Revenue Recognized in the Period	Balance as at August 31, 2018
Legislative grants - operating	\$ 44,410	\$ 32,308,245	\$ -	\$ (32,307,739)	\$ 44,916
Legislative grants - capital	3,552,405	14,488,959	(2,288,377)	(11,106,791)	4,646,196
Education program other grants	117,074	3,238,170	-	(3,115,771)	239,473
Proceeds of disposition	728,239	-	-	(260,470)	467,769
Education development charges	246,853	1,509,093	-	(1,505,629)	250,317
Other	310,633	519,576	-	(144,887)	685,322
Total Deferred Revenue	\$ 4,999,614	\$ 52,064,043	\$(2,288,377)	\$(48,441,287)	\$6,333,993

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 regulation 395/11 that have been expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2018	2017
Balance, beginning of year	\$ 225,114,374	\$ 233,780,793
Additions to deferred capital contributions	5,255,630	3,654,497
Revenue recognized in the year	(12,714,420)	(12,320,916)
Balance, end of year	\$ 217,655,584	\$ 225,114,374

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

6. Retirement and Other Employee Future Benefits

(a) Retirement and Other Employee Future Benefit Liabilities

	2018			2017
	Retirement Gratuity Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations at August 31	\$ 6,670,166	\$ 777,901	\$ 7,448,067	\$ 7,775,145
Unamortized actuarial losses at August 31	(602,523)	11,284	(591,239)	(836,813)
Employee future benefit liability at August 31	\$ 6,067,643	\$ 789,185	\$ 6,856,828	\$ 6,938,332

(b) Retirement and Other Employee Future Benefit Expense

	2018			2017
	Retirement Gratuity Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 175,108	\$ 175,108	\$ (1,052,040)
Interest on accrued benefit obligation	180,463	17,176	197,639	181,430
Amortization of actuarial losses	105,034	2,936	107,970	150,711
Change due to plan amendment	-	517,024	517,024	67,784
Employee future benefit expense ¹	\$ 285,497	\$ 712,244	\$ 997,741	\$ (652,115)

During the year, benefits payments of \$1,079,243 (2017 - \$1,353,627) were made related to retirement gratuities and other employee future benefits as described below.

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System and Ontario Teachers' Pension Plan, multi-employer pension plans described below.

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

6. Retirement and Other Employee Future Benefits - continued

(c) 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.

Each year an independent actuary determines the funding status of the plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$276.8 billion in respect of benefits accrued for service with actuarial assets of \$262.0 billion indicating an actuarial deficit of \$14.8 billion as at that date.

(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, 2018, the Board contributed \$2,928,449 (2017 - \$2,937,919) 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.

Each year an independent actuary determines the funding status of the plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the plan was conducted at December 31, 2017. The results of this valuation disclosed total actuarial liabilities of \$94.4 billion in respect of benefits accrued for service with actuarial assets of \$89.0 billion indicating an actuarial deficit of \$5.4 billion as at that date.

(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.

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

6. Retirement and Other Employee Future Benefits - continued

(d) 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 insurance premiums for the year ended August 31, 2018 were \$967,416 (2017 - \$685,931) 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. School boards are required to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where collective agreements negotiated prior to 2012 included such provision.

(ii) 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 \$98,564 (2017 - \$83,930).

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, 2018 and is based on the average daily salary and banked sick days of employees as at August 31, 2018.

(iii) Post Retirement Benefits

The Board provides life insurance, dental and health care benefits to some retired senior officials. The Board is responsible for 100% of the full benefit cost until age 65 and in some cases to age 65 or 10 years after retirement, whichever is later, as long as they retire in accordance with the Broader Public Sector Executive Compensation Act.

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

6. Retirement and Other Employee Future Benefits - continued

Actuarial Assumptions

The accrued benefit obligations as at August 31, 2018 for the employee future benefit plans detailed above in paragraphs (c)(iii), d(i), d(ii) and d(iii) are based on actuarial assumptions of future events determined for accounting purposes as at August 31, 2016, updated for August 31, 2018. These actuarial valuations were based on assumptions about future events and based on updated average daily salary and banked sick days at August 31, 2018. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2018</u>	<u>2017</u>
Inflation - sick leave top-up benefits and Workplace Safety and Insurance Board obligations	2.00 %	2.00 %
Wage and salary escalation - sick leave top-up benefits	2.00 %	2.00 %
Health care cost escalation	7.75 %	8.00 %
Dental cost escalation	3.75 %	4.00 %
Discount rate on accrued benefit obligations	2.90 %	2.55 %

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

7. Net Long-term Debt

Net long-term debt reported on the Consolidated Statement of Financial Position is fully supported with a one-time grant that recognizes capital debt as at August 31, 2010 and is comprised of the following:

	<u>2018</u>	<u>2017</u>
Debenture 1997 - Bylaw #2903-97, 4.75% to 6.8% per annum, repayable in variable semi-annually blended principal and interest, maturing December 2017	\$ -	\$ 365,000
Debenture 2000 (OSBFC#1) - Bylaw #3201-00, 7.2% per annum, repayable \$647,350 semi-annually blended principal and interest, maturing June 2025	7,022,214	7,770,661
Debenture 2002 (OSBFC #4) - Bylaw #3402-02, 5.9% per annum, repayable \$921,816 semi-annually blended principal and interest, maturing October 2027	13,262,543	14,278,512
Debenture 2004 (OSBFC #6) - Bylaw #3601-04, 5.483% per annum, repayable \$998,449 semi-annually blended principal and interest, maturing November 2029	16,868,233	17,897,720
Loan 2006 (OFA - GPL 1) - Bylaw #3801-06, 4.56% per annum, repayable \$151,762 semi-annually blended principal and interest, maturing November 2031	3,034,801	3,194,456
Loan 2008 (OFA - GPL 2) - Bylaw #4001-08, 4.9% per annum, repayable \$66,581 semi-annually blended principal and interest, maturing March 2033	1,389,832	1,452,576
Loan 2010 (OFA - GPL, PCS, PTR) - Bylaw #4201-10, 5.232% per annum, repayable \$407,029 semi-annually blended principal and interest, maturing April 2035	9,061,908	9,388,959
Loan 2010 (OFA - NPP) - Bylaw #4202-10, 3.942% per annum, repayable \$2,448,691 semi-annually blended principal and interest, maturing September 2025	30,980,351	34,550,590
Loan 2013 (OFA - Cap Priorities/PCS) - Bylaw #4501-13, 3.663% per annum, repayable \$88,910 semi-annually blended principal and interest, maturing June 2038	2,515,177	2,598,567
Loan 2014 (OFA - NPP, PCS, PTR, CP) - Bylaw #4601-14, 4.003% per annum, repayable \$252,177 semi-annually blended principal and interest, maturing March 2039	7,078,503	7,293,043

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

7. Net Long-term Debt - continued

	2018	2017
Loan 2015 (OFA - NPP) - Bylaw #4701-15, 2.993% per annum, repayable \$5,657 semi-annually blended principal and interest, maturing March 2040	180,312	186,101
	91,393,874	98,976,185
Sinking Fund Debenture (OSBFC #3 2003) - Bylaw #3401-02 for permanent improvements, \$160,951 annual interest, payable semi-annually, maturing October 2017	-	2,823,700
	91,393,874	101,799,885
Less: Sinking fund assets - comprised of cash	-	(1,135,672)
	\$ 91,393,874	\$ 100,664,213

Payments relating to net long-term debt outstanding as at August 31, 2018 are due as follows:

	Principal	Interest	Total
2019	\$ 7,572,084	\$ 4,404,763	\$ 11,976,847
2020	7,945,240	4,031,607	11,976,847
2021	8,337,784	3,639,062	11,976,846
2022	8,750,781	3,226,065	11,976,846
2023	9,185,354	2,791,492	11,976,846
Thereafter	49,602,631	10,188,746	59,791,377
	\$ 91,393,874	\$ 28,281,735	\$ 119,675,609

Interest on long-term debt amounted to \$4,713,406 (2017 - \$5,259,733).

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

8. Tangible Capital Assets

a) Assets Under Construction

There were no assets under construction at year end in the current year or the previous year.

b) Write-down of Tangible Capital Assets

There were no write-downs of tangible capital assets during the year or in the previous year.

c) Asset inventories for resale (assets permanently removed from service)

There were no asset inventories for resale at year end in the current year or the previous year.

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

8. Tangible Capital Assets - continued

	Cost				Accumulated Amortization				Net Book Value 2018	Net Book Value 2017
	Opening	Additions/ Transfers	Disposals	Closing	Opening	Additions/ Transfers	Disposals	Closing		
Land	\$ 37,347,123	\$ 256,309	\$ -	\$ 37,603,432	\$ -	\$ -	\$ -	\$ -	\$ 37,603,432	\$ 37,347,123
Land improvements	2,214,038	177,857	-	2,391,895	1,386,719	172,220	-	1,558,939	832,956	827,319
Buildings	379,140,705	4,309,482	-	383,450,187	152,184,018	12,068,974	-	164,252,992	219,197,195	226,956,687
Portable structures	7,252,351	114,791	-	7,367,142	5,920,930	308,952	-	6,229,882	1,137,260	1,331,421
Equipment - 5 years	51,640	-	-	51,640	29,136	10,328	-	39,464	12,176	22,504
Equipment - 10 years	5,845,668	80,087	(73,244)	5,852,511	2,980,559	584,909	(73,244)	3,492,224	2,360,287	2,865,109
Equipment - 15 years	304,513	-	-	304,513	131,956	20,301	-	152,257	152,256	172,557
Furniture	30,237	-	-	30,237	4,537	3,024	-	7,561	22,676	25,700
First time equipping	3,213,257	70,980	(448,370)	2,835,867	1,663,988	302,456	(448,370)	1,518,074	1,317,793	1,549,269
Computer hardware	228,780	650,132	(149,394)	729,518	161,576	95,830	(149,394)	108,012	621,506	67,204
Computer software	90,945	-	(90,945)	-	81,851	9,094	(90,945)	-	-	9,094
Vehicles	421,979	70,505	-	492,484	352,517	26,786	-	379,303	113,181	69,462
	\$ 436,141,236	\$ 5,730,143	\$ (761,953)	\$ 441,109,426	\$ 164,897,787	\$ 13,602,874	\$ (761,953)	\$ 177,738,708	\$ 263,370,718	\$ 271,243,449

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

9. Accumulated Surplus

Accumulated surplus consists of the following:

	2018	2017
Operating	\$ 1,486,379	\$ (1,296,721)
Amounts restricted by Board for future use		
Facilities vans	151,850	-
Future WSIB NEER Surcharge	1,000,000	-
St. Peter the Apostle music program and computers	-	21,477
Excess amortization funding	395,602	486,917
Transportation Consortium	244,188	198,870
School budget	376,611	411,914
Committed sinking fund interest earned	4,095,201	4,504,721
Committed capital projects	3,418,007	3,805,624
Employee future benefits	(5,156,838)	(6,420,527)
Interest accrued	(1,323,143)	(1,493,050)
School generated funds	2,423,290	2,379,682
Liability for contaminated sites	-	(35,974)
Revenues recognized for land	30,661,307	29,622,453
	\$ 37,772,454	\$ 32,185,386

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

10. Expenses by Object

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

	Budget 2018	Actual 2018	Actual 2017
Expenses			
Salary and wages	\$ 178,475,319	\$ 176,083,373	\$ 169,982,389
Employee benefits	27,330,676	28,725,389	26,055,142
Staff development	267,791	417,818	416,921
Supplies and services	17,621,580	17,429,288	17,454,760
Interest charges on capital	4,744,842	4,713,406	5,259,733
Rental expenses	243,589	257,419	236,729
Fees and contract services	12,412,970	14,243,702	13,191,280
Other	569,321	1,944,651	575,384
	241,666,088	243,815,046	233,172,338
School generated funds	6,864,924	7,629,728	7,286,632
Amortization of tangible capital assets	14,120,750	13,602,874	13,185,776
	\$ 262,651,762	\$ 265,047,648	\$ 253,644,746

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

11. Partnership in the Simcoe County Student Transportation Consortium

On May 30, 2002 the Simcoe County Student Transportation Consortium (SCSTC) was incorporated. On May 31, 2007, the Board entered into an agreement with the Simcoe County District School Board (SCDSB) in order to provide common administration of student transportation in the Region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement decisions related to the financial and operating activities of the SCSTC are shared. No partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board's consolidated financial statements whereby the Board's pro rata share of assets, liabilities, revenues and expenses of the SCSTC are included in the Board's consolidated financial statements. Inter-organizational transactions and balances have been eliminated on consolidation.

The following provides condensed financial information:

	2018	2018		2017
	Total	SMCDSB		SMCDSB
		Portion	Total	Portion
Financial Position				
Assets	\$ 1,110,931	\$ 310,372	\$ 1,054,531	\$ 241,157
Liabilities	(181,610)	(66,184)	(188,120)	(28,424)
Accumulated surplus	\$ 929,321	\$ 244,188	\$ 866,411	\$ 212,733
Results of Operations				
Revenues	\$32,050,291	\$12,381,714	\$ 30,806,862	\$ 11,623,942
Expenses	31,987,381	12,350,259	30,773,526	11,610,079
Annual surplus	\$ 62,910	\$ 31,455	\$ 33,336	\$ 13,863

Simcoe Muskoka Catholic District School Board Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

12. 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 reciprocal's and the Board's actual claims experience. Regularly, the Board receives an annual refund and has been asked to pay an additional premium once, based on its pro rata share of claims experience during the current term. The current five year term expires December 31, 2021.

13. 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 consolidated statement of financial position.

14. Contingent Liabilities

During the normal course of operations, various proceedings and claims are filed against the Board. The Board reviews the validity of these claims and proceedings and management believes any settlement would be adequately covered by its insurance policies and would not have a material effect on the consolidated financial position or future consolidated results of operations of the Board. Accordingly, no provision has been made in these consolidated financial statements for any liability that may result. Any losses will be recorded in the year of settlement.

Simcoe Muskoka Catholic District School Board
Notes to the Consolidated Financial Statements

For the year ended August 31, 2018

15. Contractual Obligations and Commitments

- a) The Board has outstanding contractual obligations of approximately \$3,553,032 (2017 - \$1,461,433) and outstanding letters of credit of \$152,885 (2017 - \$152,885) for uncompleted capital projects at August 31, 2018.
 - b) The Board has an operating lease agreement for computer equipment at a cost of \$91,504 (2017 - \$91,822) per month until August 31, 2019, resulting in a total commitment in fiscal 2019 of \$1,098,054.
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16. Subsequent Events

The Board's June 2018 WSIB NEER report indicated that the Board will incur a WSIB NEER surcharge of approximately \$250,000 in December 2018. The surcharge will be recognized in the 2019 fiscal year.
