

**Simcoe County District School Board
Consolidated Financial Statements
For the year ended August 31, 2016**

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Management Report

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Simcoe County District School Board are the responsibility of the Board management and have been prepared in accordance with the basis of accounting 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 judgment, 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 the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to the Board's 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.

Handwritten signature of Kathryn Wallace in black ink.

Kathryn Wallace
Director of Education

Handwritten signature of Brian Jeffs in black ink.

Brian Jeffs
Superintendent of Business

November 9, 2016



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 County District School Board

We have audited the accompanying consolidated financial statements of the Simcoe County District School Board, which comprise the consolidated statement of financial position as at August 31, 2016, 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 County 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 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 9, 2016

Simcoe County District School Board
Consolidated Statement of Financial Position
(in thousands of dollars)

August 31	2016	2015
Financial Assets		
Cash and cash equivalents (note 2)	\$ 35,706	\$ 31,842
Accounts receivable	24,710	24,199
Accounts receivable - Government of Ontario (note 1)	213,308	223,376
	<u>273,724</u>	<u>279,417</u>
Financial Liabilities		
Accounts payable and accrued liabilities	36,373	26,068
Deferred revenue (note 3)	9,487	11,636
Deferred capital contributions (note 4)	501,200	480,420
Employee future benefits liability (note 5)	50,564	62,503
Net long-term debt (note 6)	217,247	226,968
	<u>814,871</u>	<u>807,595</u>
Net Debt	<u>(541,147)</u>	<u>(528,178)</u>
Non-Financial Assets		
Prepaid expenses	1,896	1,561
Tangible capital assets (note 7)	578,518	555,734
	<u>580,414</u>	<u>557,295</u>
Accumulated surplus (note 8)	<u>\$ 39,267</u>	<u>\$ 29,117</u>

Contingent Liabilities and Contractual Obligations (notes 15 and 16)

Signed on behalf of the Board



Director of Education



Chair of the Board

Simcoe County District School Board
Consolidated Statement of Operations
(in thousands of dollars)

For the year ended August 31	Budget 2016	Actual 2016	Actual 2015
	(note 9)		
Revenues			
Provincial grants			
Grants for student needs	\$ 376,471	\$ 376,975	\$ 375,022
Other	6,071	7,991	7,658
Local taxation	156,957	160,262	157,716
School generated funds	13,728	13,674	14,143
Federal grants and fees	862	738	750
Investment income	1,098	1,068	1,208
Other fees and revenues	3,817	11,916	12,281
Amortization of deferred capital contributions	25,120	28,870	26,131
	584,124	601,494	594,909
Expenses (note 10)			
Instruction	456,590	456,900	451,973
Administration	12,729	12,728	12,921
Transportation	18,662	19,183	18,127
Pupil accommodation	83,364	87,951	85,101
School generated funds	13,728	14,076	14,203
Other	-	506	549
	585,073	591,344	582,874
Annual surplus (deficit)	(949)	10,150	12,035
Accumulated surplus, beginning of year	29,117	29,117	17,082
Accumulated surplus, end of year	\$ 28,168	\$ 39,267	\$ 29,117

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements.

Simcoe County District School Board
Consolidated Statement of Changes in Net Debt
(in thousands of dollars)

For the year ended August 31	2016	2015
Annual surplus	\$ 10,150	\$ 12,035
Tangible capital asset activity		
Acquisition of tangible capital assets	(47,156)	(59,997)
Amortization of tangible capital assets	24,372	27,326
Proceeds on sale of tangible capital assets	1,527	675
Proceeds on sale of tangible capital assets allocated to deferred revenue	(1,527)	(635)
Loss on disposal of tangible capital assets	-	3
Total tangible capital asset activity	(22,784)	(32,628)
Other non-financial asset activity		
Change in prepaid expenses	(335)	(235)
Change in net debt	(12,969)	(20,828)
Net debt, beginning of year	(528,178)	(507,350)
Net debt, end of year	\$ (541,147)	\$ (528,178)

Simcoe County District School Board
Consolidated Statement of Cash Flows
(in thousands of dollars)

For the year ended August 31	2016	2015
Operating transactions		
Annual surplus	\$ 10,150	\$ 12,035
Change in non-cash items including:		
Amortization, writedowns and gain/loss on disposal of tangible capital assets	22,846	26,694
Amortization of deferred capital contributions	(28,871)	(26,171)
Changes in non-cash operating balances		
Accounts receivable	(511)	(346)
Accounts payable and accrued liabilities	10,305	(4,411)
Deferred revenue	(2,149)	786
Employee future benefits liability	(11,939)	(4,294)
Prepaid expenses	(335)	(235)
Cash provided by operating transactions	(504)	4,058
Capital transactions		
Proceeds on sale of tangible capital assets	1,527	675
Cash used to acquire tangible capital assets	(47,156)	(59,997)
Cash applied to capital transactions	(45,629)	(59,322)
Financing transactions		
Long-term debt repaid	(5,502)	(6,295)
Increase in sinking fund assets	(4,219)	(4,104)
Government of Ontario debt support payments received	43,432	31,453
Deferred capital contributions received	16,286	16,308
Cash provided by financing transactions	49,997	37,362
Net change in cash and cash equivalents	3,864	(17,902)
Cash and cash equivalents, beginning of year	31,842	49,744
Cash and cash equivalents, end of year	\$ 35,706	\$ 31,842

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2016

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

(a) 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 County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2016

(b) 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 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 on consolidation.

(c) 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.

(d) Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, demand deposits and line of credit.

(e) 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 performed.

(f) 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 County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2016

(g) 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, sick leave, workplace insurance benefits and long-term disability 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, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, 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. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

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

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2016

(h) 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 and building improvements	40
Portable structures	20
Furniture, equipment and computer equipment	5 - 15
Leasehold improvements	Over the lease term

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.

(i) Government Transfers

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

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2016

(j) Investment Income

Investment income is reported as revenue in the period earned.

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

(k) Long-term Debt

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

(l) 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.

(m) Use of Estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in (a) 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.

(n) Property Tax Revenue

Under 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 County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

1. Accounts Receivable - Government of Ontario

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-2010. The Simcoe County 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 \$213,307,910 as at August 31, 2016 (2015 - \$223,375,872) with respect to capital grants.

2. Temporary Borrowing

The Board has a line of credit available to the maximum of \$35,000,000 to address operating requirements and to bridge capital expenditures.

Interest on the line of credit is the bank's prime lending rate less 0.35%. The line of credit is due on demand and is secured by a current Borrowing By-law. The amount drawn on the line of credit as at August 31, 2016 was \$2,123,187 (2015 - \$3,755,932). This amount has been included in cash and cash equivalents on the Consolidated Statement of Financial Position.

The agreement covering the line of credit sets out the following covenant to be maintained by the Board:

- (i) aggregate borrowings for current expenditures and sums required to meet debt charges in a fiscal year not to exceed the unreceived balance of estimated current year revenues.

The Board has met this requirement as at August 31, 2016.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

3. 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:

	Balance as at August 31, 2015	Externally Restricted Revenue and Investment Income	Transfer to Deferred Capital Contributions	Revenue Recognized in the Period	Balance as at August 31, 2016
Legislative grants - operating	\$ 1,531	\$ 73,264	\$ -	\$ (73,263)	\$ 1,532
Legislative grants - capital	4,252	36,856	(13,599)	(24,604)	2,905
EPO grants	908	3,354	-	(3,809)	453
Proceeds of disposition	3,841	1,527	(2,353)	-	3,015
Education charges	-	5,605	-	(5,605)	-
Other	1,104	2,414	(333)	(1,603)	1,582
	\$ 11,636	\$ 123,020	\$ (16,285)	\$ (108,884)	\$ 9,487

4. 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 the end of the year. The contributions are amortized into revenue over the life of the asset acquired.

	2016	2015
Balance, beginning of year	\$ 480,420	\$ 462,559
Additions to deferred capital contributions	49,650	44,032
Revenue recognized in the year	(28,870)	(26,171)
Balance, end of year	\$ 501,200	\$ 480,420

Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

5. Retirement and Other Employee Future Benefits

(a) Retirement and Other Employee Future Benefit Liabilities

	2016				2015	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Accrued employee future benefit obligations at August 31	\$ 53,189	\$ 257	\$ 5,116	\$ 58,562	\$ 66,968	\$ 66,968
Unamortized actuarial losses at August 31	(7,998)	-	-	(7,998)	(4,465)	(4,465)
Employee future benefit liability at August 31	\$ 45,191	\$ 257	\$ 5,116	\$ 50,564	\$ 62,503	\$ 62,503

(b) Retirement and Other Employee Future Benefit Expense

	2016				2015	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ -	\$ 189	\$ 1,753	\$ 1,942	\$ 1,039	\$ 1,039
Interest on accrued benefit obligation	1,457	2	116	1,575	1,857	1,857
Amortization of actuarial losses (gains)	223	143	-	366	92	92
Change due to reinstated benefit	-	66	-	66	-	-
Change due to voluntary early payout	(1,894)	-	-	(1,894)	-	-
Employee future benefit expense ¹	\$ (214)	\$ 400	\$ 1,869	\$ 2,055	\$ 2,988	\$ 2,988

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan described below.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

5. 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.

(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 is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. OMERS provides pension services to more than 461,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of the OMERS Primary Pension Plan (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, 2015. The results of this valuation disclosed total actuarial liabilities of \$82,369 million in respect of benefits accrued for service with actuarial assets at that date of \$75,392 million indicating an actuarial deficit of \$6,977 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organization and their employees. As a result, the Board does not recognize any share of the OMERS pension surplus or deficit. During the year ended August 31, 2016, the Board contributed \$6,464,740 (2015 - \$6,460,364) to the plan.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

5. Retirement and Other Employee Future Benefits - continued

(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.

During the year ended August 31, 2016, the Board contributed \$12,379,012 (2015 - \$6,169,111) related to retirement gratuities.

1. Voluntary Retirement Gratuity Early Payout Provision

During 2015-16, CUPE, ETFO, OPSEU and OSSTF ratified agreements at the local and central level, which included a voluntary retirement gratuity early payout provision. The provision provided CUPE, ETFO, OPSEU and OSSTF members the option of receiving a discounted frozen retirement gratuity benefit payment by August 31, 2016 (or the first pay period in September 2016 for CUPE and OPSEU).

This provision was also made available to all non-unionized school board employees, including principals and vice-principals, professional staff and senior administration. 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 an actuarial gain in the Board's 2015-16 year financial statements. This resulted in the board's employee future benefit liability decreasing by \$1,893,780.

(iv) Retirement Life Insurance and Health Care Benefits

The Board continues to provide life insurance, dental and health care benefits to certain employee groups after retirement until the members reach 65 years of age. The premiums may be based on the Board experience and retirees' premiums may be subsidized by the Board. The benefit costs and liabilities related to the plan are provided through an unfunded defined benefit plan and are included in the Board's consolidated financial statements.

During the year ended August 31, 2016, the Board contributed \$116,170 (2015 - \$113,799) related to these benefits.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

5. Retirement and Other Employee Future Benefits - continued

(d) Other Employee Future Benefits

(i) Sick Leave Benefits

During the year ended August 31, 2016, the Board contributed \$271,777 (2015 - \$113,839) related to sick leave benefits.

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 \$332,473 (2015 - \$80,994).

(ii) 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 for a period of two years after the date of disability. The insurance carrier waives the life insurance premium for employees on long-term disability, however, the Board is responsible for the payment of the costs of health care benefits under this plan. The Board provides these through an unfunded defined benefit plan. The costs of salary compensation paid to employees on long-term disability are fully insured and not included in this plan.

During the year ended August 31, 2016, the Board contributed \$103,482 (2015 - \$86,961) related to these benefits.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)

For the year ended August 31, 2016

5. Retirement and Other Employee Future Benefits - continued

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

	2016	2015
Inflation	1.50 %	1.50 %
Wage and salary escalation	NIL %	NIL %
Health care cost escalation	8.00 %	8.50 %
Dental cost escalation	4.00 %	4.50 %
Discount rate on accrued benefit obligations	2.05 %	2.45 %

The Board has restricted a portion of its accumulated surplus for certain of these employee future benefits in the amount of \$49,010,089 as at August 31, 2016 (2015 - \$56,330,687).

(iii) Workplace Safety and Insurance Board Obligations

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. School boards are required to provide salary top-up, to a maximum of 4 1/2 years, for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

During the year ended August 31, 2016, the Board contributed \$1,124,509 (2015 - \$780,488) related to Workplace Safety and Insurance Board obligations.

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2016 are based on actuarial valuations for accounting purposes as at August 31, 2016. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2016	2015
Inflation	2.00 %	2.00 %
Insurance and health care cost escalation	4.00 %	4.00 %
Discount on accrued benefit obligations	2.05 %	2.45 %

Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

6. Net Long-term Debt

Net long-term debt reported on the Consolidated Statement of Financial Position is comprised of the following:

	<u>2016</u>	<u>2015</u>
Sinking fund debenture payable - Bylaw #2001-01B for permanent improvements, 6.800% per annum, interest payable semi-annually, principal due on maturity, June 2026	\$ 76,565	\$ 76,565
Ontario Financing Authority (OFA) loan payable - Bylaw #2006-1 for permanent improvements, 4.560% per annum, repayable \$979,027 semi-annually blended principal and interest, due November 2031	21,592	22,533
Ontario Financing Authority (OFA) loan payable - Bylaw #2008-1 for permanent improvements, 4.900% per annum, repayable \$898,315 semi-annually blended principal and interest, due March 2033	20,405	21,173
Ontario Financing Authority (OFA) loan payable - Bylaw #2008-2 for permanent improvements, 4.860% per annum, repayable \$1,079,291 semi-annually blended principal and interest, due June 2033	24,892	25,807
Ontario Financing Authority (OFA) loan payable - Bylaw #2009-1 for permanent improvements, 5.062% per annum, repayable \$418,966 semi-annually blended principal and interest, due March 2034	9,762	10,093
Ontario Financing Authority (OFA) loan payable - Bylaw #2010-1 for permanent improvements, 5.182% per annum, repayable \$701,094 semi-annually blended principal and interest, due April 2035	16,707	17,215
Ontario Financing Authority (OFA) loan payable - Bylaw #2011-1 for permanent improvements, 4.833% per annum, repayable \$293,270 semi-annually blended principal and interest, due March 2036	7,426	7,646
Ontario Financing Authority (OFA) loan payable - Bylaw #2011-2A for permanent improvements, 3.970% per annum, repayable \$52,029 semi-annually blended principal and interest, due November 2036	1,450	1,495

Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

6. Net Long-term Debt - continued

	2016	2015
Ontario Financing Authority (OFA) loan payable - Bylaw #2011-2B for permanent improvements, 3.970% per annum, repayable \$15,089 semi-annually blended principal and interest, due November 2036	421	434
Ontario Financing Authority (OFA) loan payable - Bylaw #2012-1 for permanent improvements, 3.564% per annum, repayable \$1,206,935 semi-annually blended principal and interest, due March 2037	35,262	36,389
Ontario Financing Authority (OFA) loan payable - Bylaw #2013-1 for permanent improvements, 3.663% per annum, repayable \$570,731 semi-annually blended principal and interest, due June 2038	17,197	17,695
Ontario Financing Authority (OFA) loan payable - Bylaw #2014-1 for permanent improvements, 4.003% per annum, repayable \$175,081 semi-annually blended principal and interest, due March 2039	5,207	5,343
	236,886	242,388
Less: Sinking fund assets	(19,639)	(15,420)
	\$ 217,247	\$ 226,968

Payments relating to net long-term debt outstanding as at August 31, 2016 are due as follows:

	Sinking Funds	Principal	Interest	Total
2017	\$ 3,548	\$ 5,752	\$ 12,234	\$ 21,534
2018	3,548	6,012	11,974	21,534
2019	3,548	6,283	11,703	21,534
2020	3,548	6,567	11,419	21,534
2021	3,548	6,864	11,122	21,534
Thereafter	41,083	128,843	70,051	239,977
	\$ 58,823	\$ 160,321	\$ 128,503	\$ 347,647

Interest on long-term debt amounted to \$12,413,448 (2015 - \$12,673,704).

Included in net long-term debt are outstanding sinking fund debentures of \$76,565,000 (2015 - \$76,565,000) secured by sinking fund assets with a carrying value of \$19,639,137 (2015 - \$15,419,706) and a market value of \$22,764,584 (2015 - \$17,452,960). Sinking fund assets are comprised of four guaranteed investment certificates bearing interest from 2.700% to 4.350% and maturing between April 1, 2026 and June 2, 2026. During the year, interest earned on the sinking fund assets amounted to \$625,577 (2015 - \$496,116).

Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

7. Tangible Capital Assets

a) Assets under construction

Assets under construction having a value of \$14,742,553 (2015 - \$28,697,206) have not been amortized. Amortization of these assets will commence when the asset is put into service.

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)

The Board has identified \$2,449,429 (2015 - \$5,265,218) of building properties that qualify as "assets permanently removed from service". \$455,431 (2015 - \$5) related to buildings has been included in the net book value ending balance as at August 31, 2016.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

7. Tangible Capital Assets - continued

	Cost				Accumulated Amortization				Net Book Value 2016	Net Book Value 2015
	Opening	Additions/ Transfers	Disposals	Closing	Opening	Additions/ Transfers	Disposals	Closing		
Land	\$ 50,268	\$ 3,002	\$ -	\$ 53,270	\$ -	\$ -	\$ -	\$ -	\$ 53,270	\$ 50,268
Land improvements	15,772	2,389	-	18,161	6,223	1,367	-	7,590	10,571	9,549
Buildings	673,544	48,486	-	722,030	225,035	17,673	-	242,708	479,322	448,509
Portable structures	2,937	-	-	2,937	1,900	150	-	2,050	887	1,037
Assets permanently removed from service	5,265	540	(3,356)	2,449	5,265	85	(3,356)	1,994	455	-
Construction in progress	28,697	(13,955)	-	14,742	-	-	-	-	14,742	28,697
Pre-acquisition costs	1,126	2,071	-	3,197	-	-	-	-	3,197	1,126
Leasehold improvements	2,065	14	-	2,079	1,648	140	-	1,788	291	417
Furniture, equipment and computer equipment	31,925	4,609	(3,131)	33,403	15,794	4,957	(3,131)	17,620	15,783	16,131
	\$ 811,599	\$ 47,156	\$ (6,487)	\$ 852,268	\$ 255,865	\$ 24,372	\$ (6,487)	\$ 273,750	\$ 578,518	\$ 555,734

Simcoe County District School Board
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For the year ended August 31, 2016

8. Accumulated Surplus

Accumulated surplus consists of the following:

	2016	2015
Available for Compliance - Unappropriated		
Operating accumulated surplus	\$ 3,156	\$ 5,327
 Available for Compliance - Internally Appropriated		
Facility renewal	4,613	4,874
Program renewal	508	650
Other Board appropriated	14,438	15,302
Committed sinking fund interest earned	(2,439)	(2,388)
Committed capital projects	15,944	17,014
Total Internally Appropriated	33,064	35,452
 Unavailable for Compliance		
Revenues recognized for land	50,774	43,051
School generated funds	4,395	4,797
Amounts to be recovered	(52,122)	(59,510)
Total Externally Appropriated	3,047	(11,662)
Total Accumulated Surplus	\$ 39,267	\$ 29,117

Simcoe County District School Board
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For the year ended August 31, 2016

9. Budget Data

The unaudited budget data presented in these consolidated financial statements is based upon the 2016 budgets approved by the Board on May 29, 2015. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2016 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As boards only budget the Consolidated Statement of Operations, the budget figures in the Consolidated Statement of Changes in Net Debt have not been provided.

	<u>2016</u>
Budget deficit for the year, as approved	\$ (621)
Add:	
Budget deficit - Simcoe County Student Transportation Consortium	<u>(328)</u>
Budget deficit per consolidated statement of operations	<u>\$ (949)</u>

Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

10. Expenses by Object

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

	Budget 2016	Actual 2016	Actual 2015
Expenses			
Salary and wages	\$ 405,459	\$ 412,364	\$ 406,357
Employee benefits	64,182	58,377	57,916
Staff development	1,165	1,109	1,398
Supplies and services	33,116	32,277	35,771
Interest charges on capital	12,537	12,414	12,676
Rental expenses	3,775	3,814	2,400
Fees and contract services	24,554	25,997	24,084
Other	165	513	745
	544,953	546,865	541,347
School generated funds	13,728	14,076	14,203
Amortization of tangible capital assets	26,392	30,403	27,324
	\$ 585,073	\$ 591,344	\$ 582,874

11. Trust Funds

Trust funds administered by the Board amounting to \$4,919,614 (2015 - \$4,938,476) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

12. Partnership in the Simcoe County Student Transportation Consortium

In 2000, the Board entered into an agreement with the Simcoe Muskoka Catholic District School Board (SMCDSB) and formed the Simcoe County Student Transportation Consortium (SCSTC) to provide common administration of student transportation in the County. The 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.

Effective September 1, 2011, the accounting for the operations of the SCSTC has been transferred to the incorporated entity owned equally by the Board and SMCDSB.

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-entity transactions and balances have been eliminated on consolidation.

The following provides condensed financial information:

	2016 Total	2016 SCDSB Portion	2015 Total	2015 SCDSB Portion
Financial Position				
Financial assets	\$ 1,638	\$ 983	\$ 2,591	\$ 1,555
Liabilities	(862)	(517)	(1,560)	(936)
Non-financial assets	57	34	85	51
Accumulated surplus	\$ 833	\$ 500	\$ 1,116	\$ 670
Results of Operations				
Revenues	\$ 30,298	\$ 18,179	\$ 30,508	\$ 18,305
Expenses	30,582	18,349	30,442	18,265
Annual surplus	\$ (284)	\$ (170)	\$ 66	\$ 40

Simcoe County District School Board
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For the year ended August 31, 2016

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 reciprocal's 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. The current five year term expires December 31, 2016.

14. Repayment of "55 School Board Trust" Funding

On June 1, 2003, the Board received \$27,129,972 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 and the flow-through of \$2,021,201 (2015 - \$2,021,201) in respect of the above agreement is not recorded in these consolidated financial statements.

15. Contingent Liabilities

- a) 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 arising from these actions will be recorded in the year that the related litigation is settled.

 - b) The Board had letters of credit outstanding with the bank as at August 31, 2016 of \$3,381,219 (2015 - \$2,474,727), which were required from the municipalities for security on some of the construction projects.
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Simcoe County District School Board
Notes to the Consolidated Financial Statements
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For the year ended August 31, 2016

16. Contractual Obligations

- a) The Board has ongoing commitments under operating leases for premises rent and maintenance vehicles.

The sum of \$4,677,738 is payable with respect to these operating leases as follows:

2017	\$	1,622
2018		1,277
2019		1,064
2020		325
2021		97
Thereafter		293
		<hr/>
	\$	4,678

- b) During the year the Board had work performed on several major projects related to the construction and upgrading of certain permanent facilities under the terms of various contracts. Approximately \$16,657,926 related to these contracts has not been expended as at August 31, 2016 (2015 - \$31,576,583).
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17. 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: CUPE, ETFO, OPSEU, OSSTF and non-unionized employees (including principals and vice-principals, professional staff and senior administration). 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. 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 amount 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.
