

SIMCOE COUNTY DISTRICT SCHOOL BOARD

SPECIAL BOARD MEETING

WEDNESDAY, NOVEMBER 12, 2014 – 6:00 P.M.

AGENDA

GEORGIAN ROOM

- A. (1) Roll Call
- (2) Approval of Agenda
- (3) Declaration of Conflicts of Interest

PUBLIC SESSION

B. RECOMMENDATIONS FOR ACTION

(1) **Committee Minutes/Reports**

- (a) Report of the Public Session of the Audit Committee Meeting held November 3, 2014

C. FUTURE BUSINESS AND ADJOURNMENT

Trustee Information Session – November 17, 2014 at 6:00 p.m.

- Georgian Room

Parent Involvement Committee Meeting – November 18, 2014 at 6:00 p.m.

- Georgian Room

Regular Meeting of the Board – November 26, 2014 at 6:00 p.m., followed immediately by the Committee of the Whole in Closed Session (Georgian Room), Public Session will resume at 7:00 p.m. (Roy Edwards Room).

SIMCOE COUNTY DISTRICT SCHOOL BOARD

SPECIAL BOARD MEETING

PUBLIC SESSION

RECOMMENDED ACTION – WEDNESDAY, NOVEMBER 12, 2014

REPORT	FYI	Decision Req.	MOTION
			Call Meeting to order. Roll Call
		√	That the agenda be approved as printed.
			Declaration of Conflicts of Interest
PUBLIC SESSION			
B-1-a Audit Committee November 3, 2014		√	(1) That the Board approve the audited financial statements for the year ended August 31, 2014, as set out in APPENDIX A of Report No. AUD-D-1, Audited 2013-2014 Financial Statements, dated November 3, 2014.
		√	(2) That the Board approve the transfer to Unappropriated Accumulated Surplus/(Deficit) in the amount of \$2,000, as set out in APPENDIX A of Report No. AUD-D-1, Audited 2013-2014 Financial Statements, dated November 3, 2014.
		√	(3) That the Board approve the Annual Audit Committee Report: Year Ending August 31, 2014, as set out in Report No. AUD-D-2, Annual Audit Committee Report: Year Ending August 31, 2014, dated November 3, 2014.
Future Business			
Adjournment		√	Motion to Adjourn

TO: The Chairperson and Members of the
Simcoe County District School Board

FROM: Audit Committee

SUBJECT: **REPORT OF THE PUBLIC SESSION OF THE AUDIT COMMITTEE
MEETING HELD MONDAY, NOVEMBER 3, 2014**

The Audit Committee met in Public Session on Monday, November 3, 2014, at the Education Centre.

PRESENT:

Committee Members Jay Anstey (Vice-Chairperson), Suzanne Ley (Chairperson),
Christine Williams.

Administration Brian Jeffs, Kathryn Wallace.

Staff Mark Connors, Karen Côté, Jeff Henderson, Corry Van Nispen.

ABSENT:
Committee Members Chris Edwards, Robert North.

Recording Secretary Lorraine Ryder.

Chairperson Ley called the meeting to order at 6:20 p.m.

Approval of the Agenda

MOTION

Moved by Jay Anstey
Seconded by Christine Williams

That the agenda be approved as printed.

CARRIED

Declaration of Conflicts of Interest - Nil

Presentation/Delegations - Nil

Items for Decision

1. **Audited 2013-2014 Financial Statements (AUD-D-1)**

Brian Jeffs, Superintendent of Business Services introduced Michael Laycock and Andrea Nauss, Chartered Accountants from BDO Canada LLP, who were in attendance to provide an overview of the Auditor's letter and the Independent Auditor's Report for the 2013-2014 Audited Financial Statements.

Corry Van Nispen, Controller introduced Karen Côté, Assistant Manager of Business Services. Controller Van Nispen highlighted the key notes of the financial statements.

The consolidated financial statements have been attached as APPENDIX A and a year-end variance analysis for the fiscal year is attached as APPENDIX B.

Controller Van Nispen and Mr. Laycock responded to questions from the committee at this time.

Superintendent Jeffs informed the committee of an error in the second recommendation in that the word "from" should read "to" Unappropriated Accumulated Surplus/(Deficit). The recommendation has been revised to reflect this change.

Moved by Christine Williams
Seconded by Jay Anstey

(1)

#AUD-2014-11-03-01

That the Audit Committee recommend that the Board approve the audited financial statements for the year ended August 31, 2014, as set out in APPENDIX A of Report No. AUD-D-1, Audited 2013-2014 Financial Statements, dated November 3, 2014.

CARRIED

Moved by Christine Williams
Seconded by Jay Anstey

(2)

#AUD-2014-11-03-02

That the Audit Committee recommend that the Board approve the transfer to Unappropriated Accumulated Surplus/(Deficit) in the amount of \$2,000, as set out in APPENDIX A of Report No. AUD-D-1, Audited 2013-2014 Financial Statements, dated November 3, 2014.

CARRIED

2. Annual Audit Committee Report: Year End August 31, 2014 (AUD-D-2)

Mark Connors, Regional Internal Audit Manager, provided an overview of the Annual Audit Committee Report which summarized activity of the Audit Committee for the year ended August 31, 2014. The following is a summary of work undertaken by the Audit Committee for the year 2013-2014:

- reviewed the risk assessment detailing major financial and non-financial risks
- agreed on the approach, scope and findings of the audit work to be undertaken by the auditors (both internal and external).

The committee requested clarification in regards to the chart that provided a summary of committee member attendance at the 2013-2014 audit meetings. The chart will be revised to provide a clear summary of committee member attendance.

The Annual Audit Committee Report: Year End August 31, 2014 has been attached as APPENDIX C.

Manager Connors responded to questions from the committee at this time.

Moved by Christine Williams
Seconded by Jay Anstey

(3)

#AUD-2014-11-03-03

That the Audit Committee recommend that the Board approve the Annual Audit Committee Report: Year Ending August 31, 2014, as set out in Report No. AUD-D-2, Annual Audit Committee Report: Year Ending August 31, 2014, dated November 3, 2014.

CARRIED

Items for Information

1. Internal Audit Update (AUD-I-1)

Manager Connors and Jeff Henderson, Senior Regional Internal Auditor provided an overview of the report that outlined the work undertaken by the Regional Internal Audit Team (RIAT) since June 2, 2014. Manager Connors and Senior Regional Internal Auditor Henderson informed the committee on the current internal audit plan and the risk assessment management strategy.

Manager Connors and Senior Regional Internal Auditor Henderson responded to questions from committee members at this time.

This report was provided for information.

Correspondence - Nil

Other Matters - Nil

Notices of Motion for Next Meeting - Nil

MOTION

Moved by Christine Williams
Seconded by Jay Anstey

That the meeting be adjourned at 7:30 p.m.

CARRIED

RECOMMENDATIONS

1. That the Board approve the audited financial statements for the year ended August 31, 2014, as set out in APPENDIX A of Report No. AUD-D-1, Audited 2013-2014 Financial Statements, dated November 3, 2014.

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2. That the Board approve the transfer to Unappropriated Accumulated Surplus/(Deficit) in the amount of \$2,000, as set out in APPENDIX A of Report No. AUD-D-1, Audited 2013-2014 Financial Statements, dated November 3, 2014.
3. That the Board approve the Annual Audit Committee Report: Year Ending August 31, 2014, as set out in Report No. AUD-D-2, Annual Audit Committee Report: Year Ending August 31, 2014, dated November 3, 2014.

Respectfully submitted by:

Brian Jeffs
Superintendent of Business Services

Approved for submission by:

Kathryn Wallace
Director of Education

November 12, 2014

APPENDIX A – Pages 1 to 29

AUDITED 2013-2014 FINANCIAL STATEMENTS

**Simcoe County District School Board
Consolidated Financial Statements
For the year ended August 31, 2014**

DRAFT

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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 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.

Kathryn Wallace
Director of Education

Brian Jeffs
Superintendent of Business

November 12, 2014

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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, 2014, 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, 2014 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.

Chartered Accountants, Licensed Public Accountants

Barrie, Ontario
November 12, 2014

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

August 31	2014	2013
Financial Assets		
Cash and cash equivalents	\$ 49,744	\$ 40,519
Accounts receivable	23,853	24,235
Accounts receivable - Government of Ontario (note 2)	227,105	240,340
	<u>300,702</u>	<u>305,094</u>
Financial Liabilities		
Accounts payable and accrued liabilities	30,479	29,613
Deferred revenue (note 4)	10,850	12,913
Deferred capital contributions (note 5)	462,559	453,736
Employee future benefits liability (note 6)	66,797	69,557
Net long-term debt (note 7)	237,367	242,924
	<u>808,052</u>	<u>808,743</u>
Net Debt	<u>(507,350)</u>	<u>(503,649)</u>
Non-Financial Assets		
Prepaid expenses	1,326	1,377
Tangible capital assets (note 8)	523,106	512,686
	<u>524,432</u>	<u>514,063</u>
Accumulated surplus (note 9)	<u>\$ 17,082</u>	<u>\$ 10,414</u>

Contingent Liabilities and Contractual Obligations (notes 16 and 17)

Signed on behalf of the Board

Director of Education

Chair of the Board

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

For the year ended August 31	Budget 2014	Actual 2014	Actual 2013
	(note 10)		
Revenues			
Provincial grants			
Grants for student needs	\$ 334,832	\$ 333,042	\$ 337,849
Other	29,828	32,989	23,153
Local taxation	158,029	156,728	155,000
School generated funds	15,096	13,653	11,642
Federal grants and fees	917	798	814
Investment income	-	1,168	715
Other fees and revenues	2,981	11,390	10,539
Amortization of deferred capital contributions	23,146	25,283	22,452
	<u>564,829</u>	<u>575,051</u>	<u>562,164</u>
Expenses (note 11)			
Instruction	438,020	440,272	424,376
Administration	13,457	12,279	13,254
Transportation	17,682	18,444	18,265
Pupil accommodation	81,074	83,292	81,603
School generated funds	15,096	13,598	11,569
Other	5	498	311
	<u>565,334</u>	<u>568,383</u>	<u>549,378</u>
Annual surplus (deficit)	(505)	6,668	12,786
Accumulated surplus (deficit), beginning of year	<u>10,414</u>	<u>10,414</u>	<u>(2,372)</u>
Accumulated surplus, end of year	<u>\$ 9,909</u>	<u>\$ 17,082</u>	<u>\$ 10,414</u>

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

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

For the year ended August 31	2014	2013
Annual surplus	\$ 6,668	\$ 12,786
Tangible capital asset activity		
Acquisition of tangible capital assets	(36,919)	(43,974)
Amortization of tangible capital assets	24,122	23,599
Proceeds on sale of tangible capital assets	-	2,444
Proceeds on sale of tangible capital assets allocated to deferred revenue	-	(1,591)
Loss on disposal of tangible capital assets	2,377	-
Total tangible capital asset activity	(10,420)	(19,522)
Other non-financial asset activity		
Use (acquisition) of prepaid expenses	51	(167)
Change in net debt	(3,701)	(6,903)
Net debt, beginning of year	(503,649)	(496,746)
Net debt, end of year	\$ (507,350)	\$ (503,649)

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

For the year ended August 31	2014	2013
Operating transactions		
Annual surplus	\$ 6,668	\$ 12,786
Change in non-cash items including:		
Amortization, writedowns and gain/loss on disposal of tangible capital assets	26,499	22,008
Amortization of deferred capital contributions	(25,283)	(22,452)
Changes in non-cash operating balances		
Accounts receivable	382	3,145
Accounts payable and accrued liabilities	866	2,761
Deferred revenue	(2,063)	3,553
Employee future benefits liability	(2,760)	664
Prepaid expenses	51	(167)
Cash provided by operating transactions	4,360	22,298
Capital transactions		
Proceeds on sale of tangible capital assets	-	2,444
Cash used to acquire tangible capital assets	(36,919)	(43,974)
Cash applied to capital transactions	(36,919)	(41,530)
Financing transactions		
Long-term debt issued	5,476	18,408
Long-term debt repaid	(7,067)	(6,534)
Increase in sinking fund assets	(3,966)	(3,802)
Government of Ontario debt support payments received	31,081	24,674
Deferred capital contributions received	16,260	14,622
Cash provided by financing transactions	41,784	47,368
Net change in cash and cash equivalents	9,225	28,136
Cash and cash equivalents, beginning of year	40,519	12,383
Cash and cash equivalents, end of year	\$ 49,744	\$ 40,519

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

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**Simcoe County District School Board
Summary of Significant Accounting Policies**

For the year ended August 31, 2014

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.

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**Simcoe County District School Board
Summary of Significant Accounting Policies**

For the year ended August 31, 2014

(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 and demand deposits.

(e) Deferred Revenue

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

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**Simcoe County District School Board
Summary of Significant Accounting Policies**

For the year ended August 31, 2014

(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.

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**Simcoe County District School Board
Summary of Significant Accounting Policies**

For the year ended August 31, 2014

(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.

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.

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**Simcoe County District School Board
Summary of Significant Accounting Policies**

For the year ended August 31, 2014

(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.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(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.

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

For the year ended August 31, 2014

1. Change in Accounting Policies

On September 1, 2013, the Board adopted new requirements of the Chartered Professional Accountants of Canada related to Section PS 2400 - Subsequent Events and PS 3510 - Taxation Revenue. Section PS 2400 clarifies the meaning of the date of completion of financial statements. Section PS 3510 relates to the accounting for and reporting of tax revenue. The new standards were adopted prospectively from the date of adoption.

2. 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 \$227,104,665 as at August 31, 2014 (2013 - \$240,339,663) with respect to capital grants.

3. 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, 2014 was \$NIL (2013 - \$NIL).

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, 2014.

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

For the year ended August 31, 2014

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, 2014 is comprised of:

	Balance as at August 31, 2013	Externally Restricted Revenue and Investment Income	Transfer to Deferred Capital Contributions	Revenue Recognized in the Period	Balance as at August 31, 2014
Legislative grants - operating	\$ 2,308	\$ 66,393	\$ -	\$ (66,218)	\$ 2,483
Legislative grants - capital	3,896	38,047	(15,852)	(22,750)	3,341
EPO grants	2,267	28,035	-	(29,709)	593
Proceeds of disposition	3,435	-	(269)	-	3,166
Education charges	-	3,253	-	(2,983)	270
Other	1,007	766	(139)	(637)	997
	<u>\$ 12,913</u>	<u>\$ 136,494</u>	<u>\$ (16,260)</u>	<u>\$ (122,297)</u>	<u>\$ 10,850</u>

5. Deferred Capital Contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with 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.

	2014	2013
Balance, beginning of year	\$ 453,736	\$ 436,093
Additions to deferred capital contributions	34,106	40,095
Revenue recognized in the year	(25,283)	(22,452)
Balance, end of year	<u>\$ 462,559</u>	<u>\$ 453,736</u>

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

For the year ended August 31, 2014

6. Retirement and Other Employee Future Benefits

(a) Retirement and Other Employee Future Benefit Liabilities

	2014			2013		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Accrued employee future benefit obligations at August 31	\$ 64,030	\$ 161	\$ 4,307	\$ 68,498	\$ 67,400	
Unamortized actuarial gains (losses) at August 31	(1,701)	-	-	(1,701)	2,157	
Employee future benefit liability at August 31	\$ 62,329	\$ 161	\$ 4,307	\$ 66,797	\$ 69,557	

(b) Retirement and Other Employee Future Benefit Expense

	2014			2013		
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits	
Current year benefit cost	\$ -	\$ 161	\$ 1,021	\$ 1,182	\$ 4,180	
Interest on accrued benefit obligation	2,064	-	113	2,177	2,034	
Amortization of actuarial losses (gains)	(162)	-	-	(162)	(120)	
Cost of (gain on) plan amendments	-	-	-	-	(34)	
Employee future benefit expense ¹	\$ 1,902	\$ 161	\$ 1,134	\$ 3,197	\$ 6,060	

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

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

For the year ended August 31, 2014

6. Retirement and Other Employee Future Benefits - continued

(c) Plan Changes

In 2013, changes were made to the short term leave and disability plan. Under the new short term leave and disability plan, 11 unused sick leave days may be carried forward into the following year only, to be used up to top-up benefits received under the short term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who retired in 2012-13. Effective September 1, 2013, any new retiree accessing retirement life insurance and health care benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

(d) Retirement Benefits

(i) Ontario Teacher's Pension Plan

Teachers and related employee groups are eligible to be members of the Ontario Teacher's 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 439,528 active and retired members and approximately 982 employers.

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

For the year ended August 31, 2014

6. Retirement and Other Employee Future Benefits - continued

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, 2013. The results of this valuation disclosed total actuarial liabilities of \$73,004 million in respect of benefits accrued for service with actuarial assets at that date of \$64,363 million indicating an actuarial deficit of \$8,641 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, 2014, the Board contributed \$6,223,349 (2013 - \$5,827,932) to the plan.

(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, 2014, the Board contributed \$4,898,750 (2013 - \$4,331,316) related to retirement gratuities.

(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 are based on the Board experience and retirees' premiums are 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. Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for board subsidized premiums or contributions.

During the year ended August 31, 2014, the Board contributed \$107,425 (2013 - \$111,889) related to these benefits.

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

For the year ended August 31, 2014

6. Retirement and Other Employee Future Benefits - continued

(e) Other Employee Future Benefits

(i) Sick Leave Benefits

During the year ended August 31, 2014, the Board contributed \$158,210 (2013 - \$236,800) related to sick leave benefits.

Sick Leave Top-Up Benefits

As a result of changes made in 2012 - 2013 to the short term sick leave and disability plan, a maximum of 11 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 \$161,256 (2013 - \$395,010).

(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, 2014, the Board contributed \$109,164 (2013 - \$91,445) related to these benefits.

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

For the year ended August 31, 2014

6. Retirement and Other Employee Future Benefits - continued

The accrued benefit obligations as at August 31, 2014 for the employee future benefit plans detailed above in paragraphs (c)(iii), (c)(iv), (d)(i), (d)(ii), e(i) and e(ii) are based on actuarial valuations for accounting purposes as at August 31, 2013. These actuarial valuations were based on assumptions about future events and based on updated average daily salary and banked sick days at August 31, 2014. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2014</u>	<u>2013</u>
Inflation	2.00 %	2.00 %
Wage and salary escalation	NIL %	NIL %
Health care cost escalation	8.75 %	8.75 %
Dental cost escalation	4.75 %	4.75 %
Discount rate on accrued benefit obligations	2.85 %	3.40 %

The Board has restricted a portion of its accumulated surplus for certain of these employee future benefits in the amount of \$61,715,741 as at August 31, 2014 (2013 - \$66,971,936).

(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. Plan changes made in 2012 require school boards 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 previously negotiated collective agreement included such provision.

During the year ended August 31, 2014, the Board contributed \$683,076 (2013 - \$624,989) related to Workplace Safety and Insurance Board obligations.

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2014 are based on actuarial valuations for accounting purposes as at August 31, 2014. 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:

	<u>2014</u>	<u>2013</u>
Inflation	2.00 %	2.00 %
Insurance and health care cost escalation	4.00 %	4.50 %
Discount on accrued benefit obligations	2.85 %	2.75 %

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

For the year ended August 31, 2014

7. Net Long-term Debt

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

	<u>2014</u>	<u>2013</u>
Sinking fund debenture payable - Bylaw #2001-01B for permanent improvements, 6.8% per annum, interest payable semi-annually, principal due on maturity, June 2026	\$ 76,565	\$ 76,565
Royal Bank of Canada loan payable - Bylaw #2005-1 for permanent improvements, 4.51% per annum, repayable \$207,388 monthly blended principal and interest, due January 2015	1,025	3,409
Ontario Financing Authority (OFA) loan payable - Bylaw #2006-1 for permanent improvements, 4.56% per annum, repayable \$979,027 semi-annually blended principal and interest, due November 2031	23,433	24,293
Ontario Financing Authority (OFA) loan payable - Bylaw #2008-1 for permanent improvements, 4.9% per annum, repayable \$898,315 semi-annually blended principal and interest, due March 2033	21,905	22,603
Ontario Financing Authority (OFA) loan payable - Bylaw #2008-2 for permanent improvements, 4.86% per annum, repayable \$1,079,291 semi-annually blended principal and interest, due June 2033	26,680	27,511
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	10,408	10,708
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	17,698	18,156
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	7,855	8,055
Ontario Financing Authority (OFA) loan payable - Bylaw #2011-2A for permanent improvements, 3.97% per annum, repayable \$52,029 semi-annually blended principal and interest, due November 2036	1,539	1,581

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

For the year ended August 31, 2014

7. Net Long-term Debt - continued

	<u>2014</u>	<u>2013</u>
Ontario Financing Authority (OFA) loan payable - Bylaw #2011-2B for permanent improvements, 3.97% per annum, repayable \$15,089 semi-annually blended principal and interest, due November 2036	446	458
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	37,477	38,527
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	18,176	18,408
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	5,476	-
	<u>248,683</u>	<u>250,274</u>
Less: Sinking fund assets	<u>(11,316)</u>	<u>(7,350)</u>
	<u>\$ 237,367</u>	<u>\$ 242,924</u>

Payments relating to net long-term debt outstanding as at August 31, 2014 are due as follows:

	<u>Sinking Funds</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,548	\$ 6,292	\$ 12,720	\$ 22,560
2016	3,548	5,504	12,490	21,542
2017	3,548	5,752	12,238	21,538
2018	3,548	6,012	12,018	21,578
2019	3,548	6,283	11,711	21,542
Thereafter	48,181	142,275	93,498	283,954
	<u>\$ 65,921</u>	<u>\$ 172,118</u>	<u>\$ 154,675</u>	<u>\$ 392,714</u>

Interest on long-term debt amounted to \$12,841,484 (2013 - \$12,514,536).

Included in net long-term debt are outstanding sinking fund debentures of \$76,565,000 (2013 - \$76,565,000) secured by sinking fund assets with a carrying value of \$11,316,208 (2013 - \$7,350,480) and a market value of \$12,395,252 (2013 - \$7,050,758). Sinking fund assets are comprised of three guaranteed investment certificates bearing interest at 4.350%, 3.558%, and 3.603% and maturing April 1, 2026, June 1, 2026 and June 2, 2026, respectively. During the year, interest earned on the sinking fund assets amounted to \$417,531 (2013 - \$254,086).

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

For the year ended August 31, 2014

8. Tangible Capital Assets

a) Assets under construction

Assets under construction having a value of \$4,059,275 (2013 - \$2,798,969) 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 \$1,837,099 (2013 - \$1,837,099) of building properties that qualify as "assets permanently removed from service". \$3 (2013 - \$3) related to building have been included in the net book value ending balance as at August 31, 2014.

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

For the year ended August 31, 2014

8. Tangible Capital Assets - continued

	Cost				Accumulated Amortization				Net Book Value 2014	Net Book Value 2013
	Opening	Additions/ Transfers	Disposals	Closing	Opening	Additions/ Transfers	Disposals	Closing		
Land	\$ 33,777	\$ 1,976	\$ -	\$ 35,753	\$ -	\$ -	\$ -	\$ -	\$ 35,753	\$ 33,777
Land Improvements	12,610	1,666	-	14,276	4,011	1,041	-	5,052	9,224	8,599
Buildings	642,891	26,681	(5,030)	664,542	192,748	18,185	(2,653)	208,280	456,262	450,143
Portable structures	2,843	.	(509)	2,334	2,212	133	(509)	1,836	498	631
Assets permanently removed from service	1,837	-	-	1,837	1,837	-	-	1,837	-	-
Construction in progress	2,799	1,260	-	4,059	.	.	-	-	4,059	2,799
Pre-acquisition costs	560	(375)	-	185	.	.	-	-	185	560
Leasehold improvements	1,568	87	-	1,655	1,378	169	-	1,547	108	190
Furniture, equipment and computer equipment	28,089	5,624	(2,587)	31,126	12,102	4,594	(2,587)	14,109	17,017	15,987
	\$ 726,974	\$ 36,919	\$ (8,126)	\$ 755,767	\$ 214,288	\$ 24,122	\$ (5,749)	\$ 232,661	\$ 523,106	\$ 512,686

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Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)**For the year ended August 31, 2014**

9. Accumulated Surplus

Accumulated surplus consists of the following:

	<u>2014</u>	<u>2013</u>
Available for Compliance - Unappropriated		
Operating accumulated surplus	\$ 5,327	\$ 5,325
Available for Compliance - Internally Appropriated		
Facility renewal	5,266	4,239
Program renewal	2,430	2,443
Other Board appropriated	20,463	24,278
Committed sinking fund interest earned	(2,220)	(1,915)
Committed capital projects	10,122	8,470
Total Internally Appropriated	<u>36,061</u>	<u>37,515</u>
Unavailable for Compliance		
Revenues recognized for land	35,788	32,926
School generated funds	4,858	4,802
Amounts to be recovered	(64,952)	(70,154)
Total Externally Appropriated	<u>(24,306)</u>	<u>(32,426)</u>
Total Accumulated Surplus	<u>\$ 17,082</u>	<u>\$ 10,414</u>

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

For the year ended August 31, 2014

10. Budget Data

The unaudited budget data presented in these consolidated financial statements is based upon the 2014 budgets approved by the Board on May 22, 2013. 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 2014 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>2014</u>
Budget deficit for the year, as approved	\$ (1,428)
Add:	
Budget surplus - Simcoe County Student Transportation Consortium	<u>923</u>
Budget deficit per consolidated statement of operations	<u>\$ (505)</u>

DRAFT**Simcoe County District School Board
Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)****For the year ended August 31, 2014**

11. Expenses by Object

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

	Budget 2014	Actual 2014	Actual 2013
Expenses			
Salary and wages	\$ 391,380	\$ 392,917	\$ 384,748
Employee benefits	58,789	57,002	57,315
Staff development	1,557	1,888	1,115
Supplies and services	34,688	36,157	32,148
Interest charges on capital	12,150	12,842	12,516
Rental expenses	3,122	2,769	2,683
Fees and contract services	23,979	24,026	23,185
Other	199	685	500
	<hr/> 525,864	<hr/> 528,286	<hr/> 514,210
School generated funds	15,096	13,598	11,569
Amortization of tangible capital assets	24,374	24,122	23,599
Loss on disposal of tangible capital assets	-	2,377	-
	<hr/> \$ 565,334	<hr/> \$ 568,383	<hr/> \$ 549,378

12. Trust Funds

Trust funds administered by the Board amounting to \$4,793,069 (2013 - \$4,525,897) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

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Notes to the Consolidated Financial Statements
(tabular amounts in thousands of dollars)****For the year ended August 31, 2014**

13. 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:

	2014 Total	2014 SCDSB Portion	2013 Total	2013 SCDSB Portion
Financial Position				
Financial assets	\$ 2,327	\$ 1,396	\$ 1,645	\$ 987
Liabilities	(1,397)	(641)	(814)	(253)
Non-financial assets	121	73	157	94
Accumulated surplus	\$ 1,051	\$ 828	\$ 988	\$ 828
Results of Operations				
Revenues	\$ 30,089	\$ 18,054	\$ 30,682	\$ 18,409
Expenses	30,026	18,054	30,019	17,776
Annual surplus	\$ 63	\$ -	\$ 663	\$ 633

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

For the year ended August 31, 2014

14. 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.

15. 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 (2013 - \$2,021,201) in respect of the above agreement is not recorded in these consolidated financial statements.

16. 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, 2014 of \$2,273,543 (2013 - \$539,007), 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
(tabular amounts in thousands of dollars)

For the year ended August 31, 2014

17. Contractual Obligations

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

The sum of \$3,764,333 is payable with respect to these operating leases as follows:

2015	\$	1,260
2016		971
2017		963
2018		344
2019		113
Thereafter		113
		<hr/>
	\$	3,764

- 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 \$34,389,459 related to these contracts has not been expended as at August 31, 2014 (2013 - \$9,107,659).
-

**Simcoe County District School Board
 Statement of Operations - Explanation of Variances
 August 31, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Change</u>	<u>Notes</u>
	\$000's	\$000's	\$000's		
Revenues					
Provincial Grants					
Grants for Student Needs & local taxation	334,832	333,042	(1,790)	-0.5%	
Other	29,828	32,989	3,161	10.6%	1
Local Taxation	158,029	156,728	(1,301)	-0.8%	
School Generated Funds	15,096	13,653	(1,443)	-9.6%	2
Federal grants and fees	917	798	(119)	-13.0%	
Investment income	-	1,168	1,168	100.0%	3
Other fees and revenues	2,981	11,390	8,409	282.1%	4
Amortization of deferred capital contributions	23,146	25,283	2,137	9.2%	5
Total Revenue	564,829	575,051	10,222	1.8%	
Expenses					
Instruction	438,020	440,272	2,252	0.5%	
Administration	13,457	12,279	(1,178)	-8.8%	6
Transportation	17,682	18,444	762	4.3%	
Pupil accommodation	81,074	83,292	2,218	2.7%	
School generated funds	15,096	13,598	(1,498)	-9.9%	2
Other	5	498	493	100.0%	7
Total Expenses	565,334	568,383	3,049	0.5%	
Annual Surplus (Deficit)	(505)	6,668	7,173		

Notes

- 1 Other grants represent supplementary grants received from the province and other ministries. Additional supplementary grants were received through the latter part of the year.
- 2 School generated funds are impacted by fundraising activities at the school level and will vary from year to year. We continue to see lower than expected revenue offset by lower expenses.
- 3 Interest income is higher than budget due to timing of long-term financing and sinking fund activity.
- 4 Other fees and revenues were higher than budgeted due to \$1.4M in insurance proceeds (offset by expenses), \$2.9M in educational development charge revenues, \$1.8 demutualization fund revenue, \$.7M in secondment revenue (offset by higher expenses) and \$.6M in third party supplementary grants.
- 5 Deferred capital contributions are higher than budgeted due to the write down of Park Street Collegiate (demolished). Revenue is offset by higher expenses to record the disposal in Pupil Accommodation.
- 6 Administration expenses are lower than anticipated due to lower legal fees, and lower than expected amortization of minor tangible capital asset purchases.
- 7 Additional expenses recorded for the reverse tuition agreement which is offset by higher revenues in other fees and revenues.

TO: The Chairperson and Members of the
Audit Committee

FROM: Regional Internal Audit Manager

SUBJECT: **ANNUAL AUDIT COMMITTEE REPORT: YEAR END AUGUST 31, 2014**

1. Current Status

This report summarizes the audit committee's actions for the year ending August 31, 2014.

Audit Committee Members

Following the recruitment and selection process indicated in Regulation 361/10, the following Audit Committee members were (re)appointed to serve during the current term:

- Suzanne Ley – Chair
- Jodi Lloyd – Trustees representative
- Robert North – Trustee representative
- Christine Williams – Trustee representative
- Chris Edwards - External member
- Jay Anstey - External member

2. Background

Assessment

Members of the committee agreed that three meetings would be held throughout the year. A fourth meeting may be scheduled, if deemed necessary. All meetings have been held as planned in 2013-2014.

The following table provides a summary of committee member meeting attendance:

<i>Member's Name</i>	<i>November 4, 2013</i>	<i>February 3, 2014</i>	<i>June 2, 2014</i>
Suzanne Ley	X	X	X
Jodi Lloyd	R	n/a	n/a
Robert North	n/a	X	A
Christine Williams	X	X	X
Chris Edwards	X	X	X
Jay Anstey	X	X	X

X = present A = absent R = regrets n/a = not applicable - not current member

Governance

The Audit Committee operated throughout the fiscal year ending August 31, 2014. All of the members were independent in accordance with provision 3.(1) and 3.(2) of the regulation.

External/Internal Audit

Relationships with both internal and external auditors are favourable.

External Auditors – Summary:

The external auditors, BDO Canada LLP, Chartered Accountants, were present at the November 2013 and June 2014 meetings. At the November 2013 meeting they answered any questions related to their audit finding for the year-ended August 31, 2013. At the June 2014 meeting, they presented their plan for the 2013-2014 external audit.

Internal Auditors – Summary:

The internal auditors were present at all meetings. Each time, they presented an update of the region-wide progress as well as the progress to date on the annual audit plan and, when applicable, the audit reports. The internal auditors also presented the 2014-2015 internal audit plan at the June 2, 2014 meeting.

Summary of the work performed

The following is a summary of work undertaken by the Audit Committee for the year 2013-2014:

- reviewed the risk assessment detailing major financial and non-financial risks
- agreed the approach, scope and findings of the audit work to be undertaken by the auditors (both internal and external).

By the signature noted below, we attest that we have discharged our duties and responsibilities respecting Ontario Regulation # 361/10.

On behalf of the Audit Committee

Suzanne Ley, Audit Committee Chairperson

APPENDIX A, which summarizes the Annual Audit Committee Report: Year End August 31, 2014 is attached for your reference. This report will be submitted to the Ministry of Education.

RECOMMENDATION

That the Audit Committee recommend that the Board approve the Annual Audit Committee Report: Year Ending August 31, 2014, as set out in Report No. AUD-D-2, Annual Audit Committee Report: Year Ending August 31, 2014, dated November 3, 2014.

Respectfully submitted by:

Mark Connors
Regional Internal Audit Manager

Approved for submission by:

Brian Jeffs
Superintendent of Business Services

November 3, 2014

**Annual Report to the Board of Trustees and Forwarded
To the Ministry of Education
For the year ended August 31, 2014**

District School Board Name: Simcoe County District School Board

Fiscal Year: 2013-2014

Re: Annual audit committee report to the Ministry of Education as per Ontario Regulation 361/10

The following audits were completed in the 2013-2014 fiscal year:

- P Card Audit (compliance engagement)
- Cross Board IT Survey (consulting engagement)
- Risk Assessment Update

Based on the multi-year internal audit plan, we are not expecting any enrolment audits to be performed in the 2014-2015 fiscal year.

Date

Signature

Audit Committee Chair
Title