

**Simcoe County District School Board
Consolidated Financial Statements
For the year ended August 31, 2012**

	Contents
Management Report	2
Independent Auditor's Report	3
Consolidated Financial Statements	
Consolidated Statement of Financial Position	4
Consolidated Statement of Operations	5
Consolidated Statement of Changes in Net Debt	6
Consolidated Statement of Cash Flows	7
Summary of Significant Accounting Policies	8 - 12
Notes to the Consolidated Financial Statements	13 - 29

Management Report

Management's Responsibility for the Consolidated Financial Statements

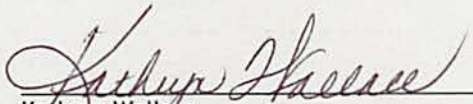
The accompanying consolidated financial statements of the Simcoe County District School Board are the responsibility of the Board management and have been prepared in accordance with the basis of accounting described in the summary of significant accounting policies attached to the consolidated financial 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 14, 2012

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 statements of financial position as at August 31, 2012 and August 31, 2011, the consolidated statements of operations, changes in net debt and cash flows for the years 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements of the Simcoe County District School Board as at and for the years ended August 31, 2012 and August 31, 2011 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 Accountants, Licensed Public Accountants

Barrie, Ontario
November 14, 2012

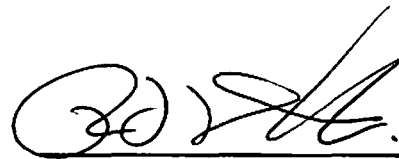
Simcoe County District School Board
Consolidated Statement of Financial Position
(in thousands of dollars)

August 31	2012	2011
Financial Assets		
Cash and cash equivalents	\$ 12,383	\$ 2,707
Accounts receivable	27,380	25,713
Accounts receivable - Government of Ontario (note 1)	239,541	238,151
Assets held for sale (note 2)	-	3
	279,304	266,574
Financial Liabilities		
Temporary borrowing (note 3)	-	21,670
Accounts payable and accrued liabilities	26,852	33,345
Deferred revenue (note 4)	9,360	8,558
Deferred capital contributions (note 5)	436,093	430,951
Employee future benefits liability (note 6)	68,893	96,918
Net long-term debt (note 7)	234,852	201,988
	776,050	793,430
Net Debt	(496,746)	(526,856)
Non-Financial Assets		
Prepaid expenses	1,210	1,364
Tangible capital assets (note 8)	493,164	486,270
	494,374	487,634
Accumulated Deficit (note 9)	\$ (2,372)	\$ (39,222)

Contingent Liabilities and Contractual Obligations (notes 16 and 17)

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 2012	Actual 2012	Actual 2011
	(note 10)		
Revenues			
Provincial grants			
Grants for student needs	\$ 358,928	\$ 345,335	\$ 327,292
Other	8,670	12,214	11,811
Local taxation	152,758	154,432	156,235
School generated funds	16,128	15,096	15,452
Federal grants and fees	1,142	831	1,037
Investment income	310	205	1,669
Other revenues - school boards	55	71	1,803
Other fees and revenues	3,277	8,404	6,364
Amortization of deferred capital contributions	21,828	22,072	21,212
	<u>563,096</u>	<u>558,660</u>	<u>542,875</u>
Expenses (note 11)			
Instruction	430,042	396,643	408,906
Administration	13,877	13,377	14,005
Transportation	18,534	19,039	21,037
Pupil accommodation	76,659	77,938	76,775
School generated funds	16,128	14,808	15,471
Other	-	5	594
	<u>555,240</u>	<u>521,810</u>	<u>536,788</u>
Annual surplus	7,856	36,850	6,087
Accumulated deficit, beginning of year	<u>(39,222)</u>	<u>(39,222)</u>	<u>(45,309)</u>
Accumulated deficit, end of year	<u>\$ (31,366)</u>	<u>\$ (2,372)</u>	<u>\$ (39,222)</u>

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	2012	2011
Annual surplus	\$ 36,850	\$ 6,087
Tangible capital asset activity		
Acquisition of tangible capital assets	(30,006)	(62,102)
Amortization of tangible capital assets	23,112	22,067
Proceeds on sale of tangible capital assets	-	1,040
Proceeds on sale allocated to deferred revenue	-	(1,012)
Transfer to assets held for sale	-	3
Total tangible capital asset activity	(6,894)	(40,004)
Other non-financial asset activity		
Use (acquisition) of prepaid expenses	154	(238)
Increase (decrease) in net debt	30,110	(34,155)
Net debt, beginning of year	(526,856)	(492,701)
Net debt, end of year	\$ (496,746)	\$ (526,856)

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

For the year ended August 31	2012	2011
Operating transactions		
Annual surplus	\$ 36,850	\$ 6,087
Change in non-cash items including:		
Amortization, writedowns and gain/loss on disposal of tangible capital assets	23,112	21,055
Gain on disposal of assets held for sale	(597)	-
Amortization of deferred capital contributions	(22,072)	(21,212)
Changes in non-cash operating balances		
Accounts receivable	(1,667)	(980)
Accounts payable and accrued liabilities	(6,493)	5,715
Deferred revenue	802	520
Employee future benefits liability	(28,025)	4,953
Prepaid expenses	154	(238)
Cash provided by operating transactions	2,064	15,900
Capital transactions		
Proceeds on sale of tangible capital assets	-	1,040
Cash used to acquire tangible capital assets	(30,006)	(62,102)
Proceeds on disposal of assets held for sale	600	-
Cash applied to capital transactions	(29,406)	(61,062)
Financing transactions		
Increase (decrease) in temporary borrowing	(21,670)	11,310
Long-term debt issued	41,631	8,427
Long-term debt repaid	(5,219)	(7,787)
Purchase of sinking fund assets	(3,548)	-
Government of Ontario debt support payments received	10,506	8,060
Deferred capital contributions received	15,318	20,290
Cash provided by financing transactions	37,018	40,300
Net change in cash and cash equivalents	9,676	(4,862)
Cash and cash equivalents, beginning of year	2,707	7,569
Cash and cash equivalents, end of year	\$ 12,383	\$ 2,707

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

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2012

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 requires 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.

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the school board comply with the related accounting policy requirements described above. Prior to the release of this Regulation the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first consolidated financial statements of the School Board prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2001:B2 and Ontario Regulation 395/11

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2012

of the Financial Administration Act ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the statement of financial position as at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

(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

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2012

(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. On September 11, 2012 the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. 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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, 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. The changes resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be 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. The changes to the retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

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, 2012

(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-acquisition 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.

Simcoe County District School Board Summary of Significant Accounting Policies

For the year ended August 31, 2012

(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.

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

For the year ended August 31, 2012

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 \$239,540,812 as at August 31, 2012 (2011 - \$238,151,293) with respect to capital grants.

2. Assets Held for Sale

As of August 31, 2012, \$NIL (2011 - \$1) related to buildings and \$NIL (2011 - \$2,707) related to land were recorded as assets held for sale. During the year one school property was sold (2011 - two). Net proceeds of \$600,000 (2011 - \$1,040,494) were received on the sale of this property, which had a carrying value of \$2,708 (2011 - \$28,698), resulting in a gain of \$597,292 (2011 - \$1,011,796). \$597,292 (2011 - \$1,011,796) of that gain was deferred for future capital purchases according to Ontario Regulation 193/10.

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, 2012 was \$NIL (2011 - \$21,670,000).

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

- (i) borrowings not to exceed the unreceived balance of estimated current year revenue/grants;
and
- (ii) maintain a debt service coverage ratio of debt payments to total revenues of less than 10%.

The Board has met these requirements as at August 31, 2012.

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

For the year ended August 31, 2012

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, 2012 is comprised of:

	Balance as at August 31, 2011	Externally Restricted Revenue and Investment Income	Transfer to Deferred Capital Contributions	Revenue Recognized in the Period	Balance as at August 31, 2012
Legislative grants - operating	\$ 1,292	\$ 67,306	\$ -	\$ (66,866)	\$ 1,732
Legislative grants - capital	-	36,472	(13,619)	(21,538)	1,315
EPO grants	1,173	2,048	-	(898)	2,323
Energy efficient schools	2,626	222	(2,748)	-	100
Proceeds of disposition	2,704	598	-	-	3,302
Education charges	-	1,696	-	(1,696)	-
Other	763	742	(260)	(657)	588
	\$ 8,558	\$ 109,084	\$ (16,627)	\$ (91,655)	\$ 9,360

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.

	2012	2011
Balance, beginning of year	\$ 430,951	\$ 395,443
Additions to deferred capital contributions	27,214	56,720
Revenue recognized in the year	(22,072)	(21,212)
Balance, end of year	\$ 436,093	\$ 430,951

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

For the year ended August 31, 2012

6. Retirement and Other Employee Future Benefits

(a) Retirement and Other Employee Future Benefit Liabilities

	2012			2011	
	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	\$ 64,047	\$ -	\$ 4,846	\$ 68,893	\$ 102,169
Unamortized actuarial losses at August 31	-	-	-	-	(5,251)
Employee future benefit liability at August 31	\$ 64,047	\$ -	\$ 4,846	\$ 68,893	\$ 96,918

(b) Retirement and Other Employee Future Benefit Expense

	2012			2011	
	Retirement Benefits	Sick Leave Benefits	Other Employee Future Benefits	Total Employee Future Benefits	Total Employee Future Benefits
Current year benefit cost	\$ 5,339	\$ 2,344	\$ 1,362	\$ 9,045	\$ 8,494
Interest on accrued benefit obligation	2,623	1,277	-	3,900	3,750
Amortization of actuarial losses	9,358	1,145	-	10,503	634
Adjustment to amortization of previous years	-	-	-	-	(571)
Recognition of unamortized actuarial losses (gains) on plan amendments/curtailments	(9,628)	(32,645)	-	(42,273)	-
Employee future benefit expense	\$ 7,692	\$ (27,879)	\$ 1,362	\$ (18,825)	\$ 12,307

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

For the year ended August 31, 2012

6. Retirement and Other Employee Future Benefits - continued

(c) Plan Changes

On September 11, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provisions for accumulation of unused days.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire 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 419,000 active and retired members and approximately 947 employers.

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

For the year ended August 31, 2012

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, 2011. The results of this valuation disclosed total actuarial liabilities of \$64,548 million in respect of benefits accrued for service with actuarial assets at that date of \$57,258 million indicating an actuarial deficit of \$7,290 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. During the year ended August 31, 2012, the Board contributed \$5,085,240 (2011 - \$4,204,131) 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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time decrease to the Board's obligation of \$9,633,619 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

During the year ended August 31, 2012, the Board contributed \$4,827,642 (2011 - \$3,918,479) 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. The changes to the Board's retirement health, life and dental plans resulted in a one-time increase to the Board's obligation of \$5,412 and a corresponding curtailment loss was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

During the year ended August 31, 2012, the Board contributed \$72,044 (2011 - \$65,075) 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, 2012

6. Retirement and Other Employee Future Benefits - continued

(e) Other Employee Future Benefits

(i) Sick Leave Benefits

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one time reduction to the obligation of \$32,644,685 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated surplus as at August 31, 2012.

During the year ended August 31, 2012, the Board contributed \$3,483,302 (2011 - \$2,635,144) related to sick leave benefits.

(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, 2012, the Board contributed \$67,724 (2011 - \$65,979) related to these benefits.

The accrued benefit obligations as at August 31, 2012 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, 2012. 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:

	2012	2011
Inflation	2.00 %	2.00 %
Wage and salary escalation	NIL %	3.00 %
Health care cost escalation	9.00 %	10.00 %
Dental cost escalation	5.00 %	6.00 %
Discount rate on accrued benefit obligations	3.00 %	4.00 %

The Board has restricted a portion of its accumulated surplus for certain of these employee future benefits in the amount of \$68,893,281 as at August 31, 2012 (2011 - \$96,918,203).

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

For the year ended August 31, 2012

6. Retirement and Other Employee Future Benefits - continued

(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. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously the negotiated collective agreement included such provision.

During the year ended August 31, 2012, the Board contributed \$749,399 (2011 - \$668,436) related to workplace safety and insurance board obligations.

The Workplace Safety and Insurance Board obligations for employee future benefit plans as at August 31, 2012 are based on actuarial valuations for accounting purposes as at August 31, 2012. 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>2012</u>	<u>2011</u>
Inflation	2.00 %	2.00 %
Insurance and health care cost escalation	6.50 %	6.50 %
Discount on accrued benefit obligations	2.75 %	3.00 %

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

For the year ended August 31, 2012

7. Net Long-term Debt

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

	<u>2012</u>	<u>2011</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	5,688	7,867
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	25,115	25,901
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	23,267	23,901
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	28,304	29,059
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	10,993	11,264
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	18,591	19,004
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	8,245	8,427

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

For the year ended August 31, 2012

7. Net Long-term Debt - continued

	2012	2011
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	1,621	-
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	470	-
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	39,541	-
	238,400	201,988
Less: Sinking fund assets	(3,548)	-
	\$ 234,852	\$ 201,988

Payments relating to net long-term debt outstanding as at August 31, 2012 are due as follows:

	Sinking Funds	Principal	Interest	Total
2013	\$ 3,548	\$ 6,534	\$ 12,459	\$ 22,541
2014	3,548	6,834	12,158	22,540
2015	3,548	5,680	11,841	21,069
2016	3,548	4,869	11,634	20,051
2017	3,548	5,093	11,406	20,047
Thereafter	55,277	132,825	106,388	294,490
	\$ 73,017	\$ 161,835	\$ 165,886	\$ 400,738

Interest on long-term debt amounted to \$11,915,175 (2011 - \$11,301,379).

Included in net long-term debt are outstanding sinking fund debentures of \$76,565,000 (2011 - \$76,565,000) secured by sinking fund assets with a carrying value of \$3,548,197 (market value - \$3,565,168). Sinking fund assets are comprised of a guaranteed investment certificate bearing interest at 3.603% and maturing June 2, 2026.

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

For the year ended August 31, 2012

8. Tangible Capital Assets

a) Assets under construction

Assets under construction having a value of \$1,667,605 (2011 - \$NIL) 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 (2011 - \$609,800) of building properties that qualify as "assets permanently removed from service". \$3 (2011 - \$3) related to building have been included in the net book value ending balance as at August 31, 2012.

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

For the year ended August 31, 2012

8. Tangible Capital Assets - continued

	Cost				Accumulated Amortization				Net Book Value 2012	Net Book Value 2011
	Opening	Additions/ Transfers	Disposals	Closing	Opening	Additions/ Transfers	Disposals	Closing		
Land	\$ 31,033	\$ 83	\$ -	\$ 31,116	\$ -	\$ -	\$ -	\$ -	\$ 31,116	\$ 31,033
Land improvements	10,376	797	-	11,173	2,306	800	-	3,106	8,067	8,070
Buildings	589,899	18,465	-	608,364	158,218	16,536	-	174,754	433,610	431,681
Portable structures	4,043	-	(491)	3,552	3,056	193	(491)	2,758	794	987
Assets permanently removed from service	610	1,227	-	1,837	610	1,227	-	1,837	-	-
Construction in progress	-	1,668	-	1,668	-	-	-	-	1,668	-
Pre-acquisition costs	86	2,397	-	2,483	-	-	-	-	2,483	86
Leasehold improvements	1,373	172	-	1,545	731	340	-	1,071	474	642
Furniture, equipment and computer equipment	26,765	5,197	(5,270)	26,692	12,994	4,016	(5,270)	11,740	14,952	13,771
	\$ 664,185	\$ 30,006	\$ (5,761)	\$ 688,430	\$ 177,915	\$ 23,112	\$ (5,761)	\$ 195,266	\$ 493,164	\$ 486,270

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

For the year ended August 31, 2012

9. Accumulated Surplus (Deficit)

Accumulated surplus (deficit) consists of the following:

	2012	2011
Available for Compliance - Unappropriated		
Operating accumulated surplus	\$ 6,756	\$ 5,703
 Available for Compliance - Internally Appropriated		
Facility renewal	5,043	5,162
Retirement gratuities	5,495	5,746
Proceeds of disposition	67	66
Program renewal	1,015	-
Other Board appropriated	11,210	8,818
Committed sinking fund interest earned	(1,446)	(723)
Committed capital projects	5,792	4,018
Total Internally Appropriated	27,176	23,087
 Unavailable for Compliance		
Revenues recognized for land	30,976	27,541
School generated funds	4,729	4,442
Amounts to be recovered	(72,009)	(99,995)
Total Externally Appropriated	(36,304)	(68,012)
 Total Accumulated Deficit	\$ (2,372)	\$ (39,222)

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

For the year ended August 31, 2012

10. Budget Data

The unaudited budget data presented in these consolidated financial statements is based upon the 2012 budgets approved by the Board on June 22, 2011. 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 2012 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>2012</u>
Budget deficit for the year, as approved	\$ (1,111)
Add:	
Budget surplus - Simcoe County Student Transportation Consortium	200
Government of Ontario debt support grant - principal	8,767
Government of Ontario debt support grant - interest	11,216
Less:	
Interest on long-term debt	<u>(11,216)</u>
Budget surplus per consolidated statement of operations	<u>\$ 7,856</u>

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

For the year ended August 31, 2012

11. Expenses by Object

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

	Budget 2012	Actual 2012	Actual 2011
Expenses			
Salary and wages	\$ 383,872	\$ 384,863	\$ 366,794
Employee benefits	56,324	28,234	56,495
Staff development	1,416	1,410	1,483
Supplies and services	37,873	31,286	33,293
Interest charges on capital	11,245	11,916	12,765
Rental expenses	2,652	2,584	2,519
Fees and contract services	22,955	23,375	25,637
Other	199	222	264
	516,536	483,890	499,250
School generated funds	16,128	14,808	15,471
Amortization of tangible capital assets	22,576	23,112	22,067
	\$ 555,240	\$ 521,810	\$ 536,788

12. Trust Funds

Trust funds administered by the Board amounting to \$5,701,564 (2011 - \$5,316,396) 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
(tabular amounts in thousands of dollars)

For the year ended August 31, 2012

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.

As at August 31, 2012, 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:

	2012 Total	2012 SCDSB Portion
Financial Position		
Financial assets	\$ 575	\$ 345
Liabilities	(429)	(257)
Non-financial assets	179	107
Accumulated surplus	\$ 325	\$ 195
Results of Operations		
Revenues	\$ 31,302	\$ 18,781
Expenses	30,977	18,586
Annual surplus	\$ 325	\$ 195

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

For the year ended August 31, 2012

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, 2012.

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 (2011 - \$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, 2012 of \$479,007 (2011 - \$305,604), which were required from the municipalities for security on some of the construction projects.
-

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

For the year ended August 31, 2012

17. Contractual Obligations

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

The sum of \$3,115,966 is payable with respect to these operating leases as follows:

2013	\$ 1,292
2014	989
2015	435
2016	221
2017	178
	<hr/>
	\$ 3,115

- 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 \$11,233,013 related to these contracts has not been expended as at August 31, 2012 (2011 - \$6,576,883).
-

18. Subsequent Events

On September 11, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27, 2012. The requirements of this new legislation were used in the actuarial valuations of the Board's estimates for Retirement and Other Employee Future Benefits obligations as at August 31, 2012. The impact of the changes to the various benefits have been disclosed in note 6.
