



# Report

## 2015-16 FINANCIAL STATEMENTS

The 2015-16 Financial Statements' package was prepared by staff 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. The external audit of the Bluewater District School Board's 2015-16 Financial Statements rendered a clean audit opinion.

The following is an overview of the 2015-16 results, including a summary of:

- 1) 2015-16 Financial Results
- 2) Financial Statements for Public Sector Accounting Board (PSAB) purposes
- 3) Recommendations for 2016-17

### 1) 2015-16 Financial Results

The overall 2015-16 financial results reflect the board's path towards achieving long term financial sustainability by:

- Responding to changes in funding levels while ensuring student achievement and well being
- Implementing changes in labour costs related to ratified collective agreements and the early payout of retirement gratuity liabilities
- Managing costs related to replacement costs, benefits and employee contractual obligations
- Continuing the management of surplus spaces
- Increasing reserve contributions to recognize fluctuations in costs and funding

As illustrated in the chart below, the overall net change in operating position remains balanced, with reserves increasing by \$173,839 from Interim Report 3.

### 2015-16 Net Operating Position

	Forecast Interim Report 3	Actual Aug 31, 2016	\$ Change
Operating Revenue	\$ 198,210,510	\$ 200,134,470	\$ 1,923,960
Operating Expenses	198,749,601	200,499,722	1,750,121
<b>Operating position before use of reserves</b>	<b>(539,091)</b>	<b>(365,252)</b>	<b>173,839</b>
Change in the carry-forward for committed projects	516,264	469,796	(46,468)
Transfer from reserves	440,280	440,280	-
<b>Transfers to reserves</b>	<b>(417,453)</b>	<b>(544,824)</b>	<b>(127,371)</b>
<b>Net change in operating position</b>	<b>0</b>	<b>0</b>	<b>0</b>

The following changes occurred from Interim Report No. 3:

- A. Operating position before the use of reserves was reduced from a \$539,091 deficit to a \$365,252 deficit, mainly due to changes in the recognition of external funding other (EPO) grants and offsetting related expenses, other external revenue not previously forecasted, increase in the qualification and experience grant; offset by the increase in benefit expenses related to the retirement gratuity accrued liability.
- B. The contribution to reserves increased in total by \$173,839 to reflect the change in the carry-forward for committed projects related mainly to classroom tools and financial software technology, and additional contributions for unexpected events such as changing weather conditions or the change in employee contractual obligations.

## 2) Financial Statements for Public Sector Accounting Board (PSAB) purposes

The Consolidated Financial Statements are prepared in accordance with PSAB and can be found in Attachment 1. It is important to note that financial statements for PSAB purposes are adjusted for Ministry compliance purposes. The net operating position reported in section 1 is the deficit reported for ministry compliance purposes. The ministry requires the board to recognize additional expenses that are not recognized for PSAB purposes. The ministry deficit of \$365,252 is adjusted for the following items to arrive at the in-year operating PSAB surplus of \$3,161,169:

### Net Operating Position: Ministry Compliance to PSAB

	Reporting for Ministry compliance purposes	Adjusted for:			Reporting for PSAB purposes
		Add: School Generated Fund Transactions	Deduct: Land Sales	Deduct: Amortization of Future Employee Benefits	
	A	B	C	D	E = A+B-C-D
Operating Revenue	\$200,134,470	\$5,888,064	\$15,018	\$0	\$206,007,516
Operating Expenses	\$200,499,722	\$5,903,369	\$0	\$3,556,744	\$202,846,347
<b>Net Operating Position</b>	<b>(\$365,252)</b>				<b>\$3,161,169</b>

The net operating position for PSAB purposes is discussed further in the Consolidated Statement of Operations section.

The Consolidated Statement of Financial Position shows the financial assets, liabilities and non-financial assets. The year over year change is illustrated below for comparative purposes.

### Condensed Consolidated Statement of Financial Position (Millions)

	2015-16	2014-15	Change \$ Fav/(Unfav)	Change % Fav/(Unfav)
FINANCIAL ASSETS	\$ 102.48	\$ 98.34	\$ 4.14	4.2%
LIABILITIES	268.55	270.21	\$ 1.66	0.6%
<b>NET FINANCIAL ASSETS (NET DEBT)</b>	<b>(166.07)</b>	<b>(171.87)</b>	<b>\$ 5.80</b>	<b>3.4%</b>
NON-FINANCIAL ASSETS (TCA)	160.47	163.11	(2.64)	-1.6%
<b>ACCUMULATED SURPLUS/(DEFICIT)</b>	<b>\$ (5.60)</b>	<b>\$ (8.76)</b>	<b>\$ 3.16</b>	<b>36.1%</b>

Overall, the board's financial position improved in 2015-16, as the accumulated deficit was reduced from \$8.76M to \$5.60M. The increase in financial assets is the result of an increase in the receivable from the province related to school condition improvement and a higher cash balance. Net financial assets increased primarily due to reduction in long term debt and the decrease in the retirement gratuity liability. Non-financial assets decreased by \$2.64M, as amortization of tangible capital assets exceeded additional capital.

**3) The Consolidated Statement of Operations** shows the revenues, expenses and resulting annual surplus/ (deficit) compared to the approved budget. It is important to note that for financial statement purposes results are compared to budget, which vary significantly based on changes in enrolment, salaries, and other changes throughout the year that are reported through interim reporting.

**Consolidated Statement of Operations**  
(Millions)

	<b>Approved Budget</b>	<b>Actuals 2015-2016</b>	<b>\$ Variance</b>	<b>% Variance</b>
Total revenue	\$203.65	\$206.01	\$2.36	1.16%
Total expenses	\$201.13	\$202.85	\$1.72	0.86%
<b>Annual Surplus</b>	<b>\$2.52</b>	<b>\$3.16</b>	<b>\$0.64</b>	

Revenue increased from budget due to:

- Provincial legislative grants; resulting mainly from the wage increase in 2015-16 collective agreements
- Increase in provincial grants for specific initiatives; offset by an increase in expenditures, deferred revenue or reserves for committed spending
- Increase in revenue from other sources including rental revenue, international student revenue and other recoveries

Overall expenses changed from budget due to:

- Increase in salaries and wages as per collective agreements
- Higher than budgeted in-year expenses for retirement gratuity benefits
- Higher electricity costs, offset by savings in natural gas heating
- Non budgeted employee contractual obligations
- Decrease in School Generated Fund (SGF) expenses partially offset by a decrease in SGF revenue
- Lower than budgeted replacement costs related to absences
- Increase in expenditures related to provincial grants received outside of budget
- Costs related to capital planning capacity, offset by ministry funding

**Recommendations for 2016-17**

Overall, the board's short term financial position has improved by proactively responding to changes in funding levels while ensuring student well-being and achievement. Financial pressures related to surplus spaces, replacement costs for short term absences, benefits and employee contractual obligations are expected to continue into 2016-17.

Long term financial sustainability will require a continued focus on the management of surplus spaces and effectiveness in the stewardship of financial resources.

**Recommendation:**

That the Bluewater District School Board receive the Consolidated 2015-16 Financial Statements for information.

Submitted to  
Bluewater District School Board  
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