



2020-21 Financial Position and Reserve Status: Update

To: Special Finance, Budget and Enrolment Committee

Date: 9 December, 2021

Report No.: 12-21-4215

Strategic Directions

- Create a Culture for Student and Staff Well-Being
- Provide Equity of Access to Learning Opportunities for All Students
- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the Update on 2020-21 Financial Position and Reserve Status be received.

Context

The Board's 2020-21 Statement of Financial Position is presented in Appendix A. TDSB has an in-year surplus of \$5.9M compared to the original estimated in-year deficit of \$29.3M, as approved by Board in August 2020. The variance of \$35.2M is mainly attributed to the Ministry's funding stabilization, which helped offset the negative financial impact from the student enrolment decline, in addition to other net operational savings as a result of school closures during the year.

The 2020-21 ending working funds balance is \$22.7M. These funds will be available to support any changes to the budget in 2021-22 or in future fiscal years.

The 2020-21 audited financial statements were presented to the Audit Committee on December 6, 2021. A copy of the financial statements is provided in Appendix C.

During the 2020-21 fiscal year, the Ministry approved the transfer of \$10.3M of TDSB's proceeds of disposition (POD) to offset unallocated construction labour costs during the pandemic. This POD transfer was approved by the Board on November 11, 2020 and was used to fund 2020-21 school renewal costs. If this POD transfer did not occur, the

Board would have experienced an operating deficit of \$4.4M (\$5.9M surplus less \$10.3M transfer).

2020-21 Year End Position (in \$millions)

Reserves	Opening Reserves Balance August 31, 2020	2020-21 Other Increase/ (Decrease) to Reserves	Ending Reserve Balance August 31, 2021
Working Funds	16.8	5.9	22.7
Benefit Funds*	106.2	3.6	109.8
School Support	34.9	16.8	51.7
Environmental Legacy and Artificial Turf Funds	3.1	0.1	3.2
Sinking Fund Interest (restricted)	15.7	(1.4)	14.3
Total Working Funds and Internally Restricted Funds	176.7	25.0	201.7

* Transfer of \$10M in benefit surplus reserves to working funds was made on December 1, 2021, after the 2020-21 fiscal year.

School boards will be able to access up to 2% from reserves in 2021-22.

Update to 2021-22 Ministry COVID-19 Funding

On November 18, 2021, the Ministry has confirmed that school boards will be receiving the second half of the COVID-19 funding supports. Below is a breakdown of the funds.

School Operations - to support additional costs of cleaning and ventilation	\$1.9M
Student Transportation - to support additional costs of transportation and cleaning during pandemic	\$2.0M
Staffing Supports (School-based) - to support additional staffing in schools during pandemic	\$15.8M
Special Education and Mental Health - to support additional staffing and other resources during the pandemic	\$1.2M
Total	\$20.9M

At the November 25, 2021 Special Board meeting, Trustees approved the use of \$5.9M from the \$15.8M staffing supports funding above on the following positions for the balance of the 2021-22 school year:

Position	FTE	Amount
Social Workers	16	\$1.3M
Child and Youth Workers	35	\$1.9M
Child and Youth Counsellors	15	\$1.1M
School Based Safety Monitors	40	\$1.6M
Total	106	\$5.9M

Staff will continue to review needs across the system to determine and allocate additional resources to schools. An update will be provided at the January or February 2022 FBEC around the use of the remaining funding, following the submission of the 2021-22 Revised estimates to the Ministry.

Action Plan and Associated Timeline

Staff will present the 2021-22 Revised Estimates report at the January 2022 FBEC meeting. Staff will also provide a first quarter update in February 2022 and second quarter update in April 2022. In addition, the projected budget for the 2022-23 fiscal year will be presented in the Spring of 2022. These updates will provide information on the use of working funds to balance any budget shortfalls.

Resource Implications

The use of the working funds will be utilized to offset any future budget shortfalls.

Communications Considerations

The report will be posted on the TDSB budget website as information supporting the development of the budget.

Board Policy and Procedure Reference(s)

Not applicable.

Appendices

- Appendix A: 2020-21 Statement of Financial Position
- Appendix B: 2020-21 Details of Accumulated Surplus
- Appendix C: 2020-21 Audited Financial Statements

From

Craig Snider, Interim Associate Director, at Craig.Snider@tdsb.on.ca and 416 395 8469

Marisa Chiu, Interim Executive Officer, Finance at Marisa.Chiu@tdsb.on.ca at 647 463 2278

APPENDIX A

2020-21 Year End Financial Position and Working Fund Balance		
(\$ Millions)		
Type	Description	Amount
		\$
Budgeted In-Year Operating Results - (Deficit)		(29.3) Original 2020-21 budget approved (at August 6, 2020 FBEC)
Grant Increases/(Decreases):		
	Funding stabilization	68.2 One-time funding announced on Nov 26/20 to mitigate against financial impact from enrolment decline.
	Grants for Students Needs (GSN) reduction	(67.4) Reduction in total GSN grant allocation due to enrolment decreases, offset by increases in teacher qualification & experience grant.
	Transportation grant reduction	(1.5) Fuel escalator grant adjustment as buses were not running during school closures.
	Subtotal	(0.7)
Labour-Related Savings/(Costs):		
	School-based staff	9.3 Savings relating to school-based support staff costs due to delays in hiring and school closures.
	Supply teachers	20.0 Savings in supply teacher costs due to COVID-19 related school closures.
	Principal, Vice-principal and administration staff	(3.5) Additional staffing costs to operate the virtual schools.
	Central department	4.3 Net central department staff savings due to timing difference in filling positions.
	Facilities services	13.1 Net Facilities department staff savings due to timing difference in filling positions, impact from school closures and staff overtime relating to permits.
	Benefits cost	4.1 Corresponding benefit cost savings due to decrease in staffing costs.
	Subtotal	47.3
Savings/(Costs) from Changes in Revenues and Expenses:		
	Transportation	7.1 Transportation contract savings as buses were not running during school closures.
	Continuing education	(1.0) \$3M reduction in revenues offset by \$2M in operational savings from program closures.
	International student	(1.8) \$3M reduction in revenue loss offset by \$1.2M in operational and commission savings.
	Nutrition services	(2.1) \$3.7M reduction in cafeteria income offset by \$1.6M in operational savings.
	Facilities revenue reduction	(9.7) \$7.9M reduction in permit revenue and \$1.8M in lease revenue due to closures.
	Utilities	8.9 Savings in utilities costs due to systemwide site closures.
	Self-funded leave adjustment	(8.1) One-time adjustment to correct retroactive self-funded leave account discrepancies.
	HST rebates	(1.3) School site visits postponed due to school closures, resulting in lower prior period HST rebates compared to projection.
	Interest income	(1.1) Reduction in Interest income due to declining interest rate.
	Student Success	(2.2) Student success grant was not fully utilized as teachers were redeployed to schools.
	Subtotal	(11.4)
	Variances to Budget total	35.2
Actual in-year Operating Surplus		5.9
Prior Year Working Fund Balance - August 31, 2020		16.8
Ending Working Fund Balance - August 31, 2021		22.7

APPENDIX B

**TORONTO DISTRICT SCHOOL BOARD
DETAILS OF ACCUMULATED SURPLUS/(DEFICIT)**

As at August 31, 2021

2021

2020

OPERATING FUNDS

This represents the Board's accumulated unrestricted working funds reserve \$ 22.7 M \$ 16.8 M

INTERNALLY APPROPRIATED FUNDS

Benefit Funds on Deposit

The Board maintains funds to support the liabilities of the employee benefit plans including long term disability, group life, and health and dental plans. The funds on deposit are held to secure the estimated liabilities. \$ 109.8 M \$ 106.2 M

School Supports

This reserve represents the unspent balance of school support funds including regular day school, and other funds designated for IT and central department projects. \$ 51.7 M \$ 34.9 M

Environmental Legacy Fund

This reserve represents restricted funds the Board received from Carbon Credit payments. \$ 2.7 M \$ 2.7 M

Artificial Turf Fund

Permit revenue from artificial turf field reserved for future replacement cost. \$ 0.5 M \$ 0.4 M

Sinking Fund Interest

Interest income on sinking fund debenture, which is restricted to offset either future interest losses and amortization of unsupported assets. \$ 14.3 M \$ 15.7 M

\$ 179.0 M \$ 159.9 M

RESTRICTED FUNDS UNAVAILABLE FOR COMPLIANCE

Accrued Interest

The interest accrual represents the portion of interest expense incurred but not paid as of August 31st. \$ (4.6) M \$ (4.8) M

Future Employee Benefits

Future Employee Benefits represents the provision for unfunded liabilities associated with employee benefits that accrue during the working lives of staff, and the post-retirement benefits. \$ (257.0) M \$ (280.5) M

School Generated Non-Public Funds

This represents the amount of non-public funds held by both the schools and school councils as of August 31st. \$ 19.0 M \$ 23.5 M

Revenue recognized for land

This represents the revenue recognized for transactions related to land. This amount is restricted for compliance purposes. \$ 110.7 M \$ 110.7 M

Liability for Contaminated Sites

This represents an estimated liability for contaminations at two sites. \$ (1.0) M \$ (1.0) M

Total

\$ (132.9) M \$ (152.1) M

Grand Total

\$ 68.8 M \$ 24.6 M

Consolidated financial statements of Toronto District School Board

August 31, 2021

Draft

Management Report	1
Independent Auditor's Report	2-3
Consolidated statement of financial position	4
Consolidated statement of operations	5
Consolidated statement of change in net debt	6
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8-29

Management Report

Year ended August 31, 2021

Re: Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Toronto District School Board (the "Board") are the responsibility of the Board's management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in Note 1(a) to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

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

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board of Trustees. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Board's consolidated financial statements.

[DATE]

Colleen Russell-Rawlins
Director of Education

Craig Snider
Interim Associate Director,
Business Operations and Service Excellence

Independent Auditor's Report

To the Board of Trustees of
 Toronto District School Board

Opinion

We have audited the consolidated financial statements of Toronto District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2021, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Board for the year ended August 31, 2021 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) of 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. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the basis of accounting described in Note 1(a) 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.

In preparing the consolidated financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Board to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants
Licensed Public Accountants
[DATE]

Toronto District School Board
Consolidated statement of financial position

As at August 31, 2021
(In thousands of dollars)

	Notes	2021 \$	2020 \$
Assets			
Financial assets			
Cash	1(j)	366,266	391,085
Temporary investments		1,164	731
Due from City of Toronto	3	234,594	667,700
Accounts receivable (net of allowance of \$6,318) (\$6,058 in 2020)		42,077	28,028
Accounts receivable - Province of Ontario	2	611,200	578,903
Funds on deposit	5(f)	109,807	107,087
Properties held for sale	6	2,032	3,009
Restricted cash	18	26	111
		1,367,166	1,776,654
Liabilities			
Short-term borrowing	7	237,000	150,000
Accounts payable and accrued liabilities		266,147	252,504
Due to Province of Ontario	4	21,736	553,435
Accrued vacation pay		19,341	19,029
Deferred revenue	8	236,031	232,791
Deferred capital contributions	9	2,525,008	2,492,990
Retirement and other employee future benefits payable	5	327,137	334,338
Net long-term debt	10	341,500	362,127
		3,973,900	4,397,214
Net debt		(2,606,734)	(2,620,560)
Non-financial assets			
Tangible capital assets	11	2,649,978	2,619,414
Prepaid expenses and supplies		25,607	25,712
		2,675,585	2,645,126
Accumulated surplus	12	68,851	24,566

The accompanying notes are an integral part of the consolidated financial statement.

Approved by the Board

_____, Director of Education

_____, Chair of the Board

Toronto District School Board
Consolidated statement of operations

Year ended August 31, 2021
(In thousands of dollars)

	Notes	Budget \$	2021 \$	2020 \$
Revenue				
Provincial grants				
Grants for student needs	16	2,987,034	2,989,188	2,907,545
Other		55,186	145,460	48,646
Federal grants and fees		22,000	21,890	19,900
Other fees and revenues		101,442	103,300	93,236
School fundraising		40,000	4,016	24,018
Amortization of deferred capital contributions	9	218,171	214,005	221,175
		3,423,833	3,477,859	3,314,520
Expenses				
Instruction	15	2,633,997	2,650,551	2,511,763
Administration		82,003	88,860	86,454
Transportation		64,465	59,095	62,577
School operations and maintenance		343,136	343,355	315,819
Pupil accommodation		259,486	264,079	287,551
Other programs		6,678	19,126	3,050
School funded activities		40,000	8,508	21,138
		3,429,765	3,433,574	3,288,352
Annual (deficit) surplus		(5,932)	44,285	26,168
Accumulated surplus (deficit), beginning of year		11,026	24,566	(1,602)
Accumulated surplus, end of year		5,094	68,851	24,566

The accompanying notes are an integral part of the consolidated financial statement.

Toronto District School Board
Consolidated statement of change in net debt

Year ended August 31, 2021
(In thousands of dollars)

	Notes	2021	2020
		\$	\$
Annual surplus		44,285	26,168
Acquisition of tangible capital assets	11	(245,019)	(242,995)
Amortization of tangible capital assets	11	215,432	222,602
Net book value of tangible capital asset disposals	11	—	1,421
Net book value of tangible capital assets reclassified to/(from) properties held for sale during the year	6	(977)	—
		13,721	7,196
Acquisition of inventories of supplies		(11,955)	(10,936)
Acquisition of prepaid expenses		(11,400)	(13,575)
Consumption of inventories of supplies		11,625	9,371
Use of prepaid expenses		11,835	8,347
Change in net debt		13,826	403
Net debt, beginning of year		(2,620,560)	(2,620,963)
Net debt, end of year		(2,606,734)	(2,620,560)

The accompanying notes are an integral part of the consolidated financial statement.

Draft

Toronto District School Board
Consolidated statement of cash flows

Year ended August 31, 2021
(In thousands of dollars)

	Notes	2021 \$	2020 \$
Operating activities			
Annual surplus		44,285	26,168
Items not involving cash			
Amortization of tangible capital assets	11	215,432	222,602
Net book value of tangible capital assets reclassified (to)/from properties held for sale during the year (excluding land)	6	977	—
Disposal of properties held for sale	6	—	8,294
Deferred capital contributions recognized	9	(214,005)	(221,175)
Changes in non-cash assets and liabilities			
Due from City of Toronto		433,106	(439,338)
Accounts receivable		(14,049)	14,164
Accounts receivable - Province of Ontario			
Operating		(17,529)	(91,447)
Prepaid expenses and supplies		105	(6,793)
Accounts payable and accrued liabilities and accrued vacation pay		13,955	(29,931)
Due to Province of Ontario		(531,699)	522,526
Deferred revenues - Operating		(787)	(2,935)
Retirement and other employee future benefits payable		(7,201)	(5,536)
		(77,410)	(3,401)
Capital activity			
Acquisition of tangible capital assets	11	(245,019)	(242,995)
Investing activities			
Temporary investments		(433)	203,786
Funds on deposit		(2,720)	(581)
		(3,153)	203,205
Financing activities			
Capital grant contributions	9	245,046	242,957
Deferred revenue - Capital		4,027	15,957
Accounts receivable - Province of Ontario Capital		(14,768)	102,380
Short-term borrowing - net		87,000	(35,000)
Long-term debt repayments		(20,627)	(19,691)
Decrease in restricted cash	18	85	2,478
		300,763	309,081
Net (decrease) increase in cash		(24,819)	265,890
Cash, beginning of year		391,085	125,195
Cash, end of year		366,266	391,085

The accompanying notes are an integral part of the consolidated financial statement.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

1. Significant accounting policies

The consolidated financial statements are the representations of management and are prepared in accordance with the basis of accounting as described in Note 1(a) below.

Significant accounting policies adopted are as follows:

(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 Administration 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 consolidated statement of operations over the periods during which the tangible capital asset is used to provide service at the same rate that amortization is recognized in respect of the related tangible capital 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 Ontario Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- Government transfers, including amounts previously recognized as tax revenue, 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 Canadian public sector accounting standard PS 3410; and
- 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 Canadian public sector accounting standard PS 3100.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity includes all organizations which are controlled by the Toronto District School Board (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 included in the consolidated financial statements.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(b) Reporting entity (continued)

The Board established the Toronto Lands Corporation ("TLC") in 2008, a wholly owned subsidiary. Its mandate is to manage designated real estate holdings of the Board to maximize rental income and dispose of surplus sites. This entity which is controlled by the Board is included in the consolidated financial statements.

The Board is a unit owner in Toronto Standard Condominium Corporation No. 2234, which was established for the management of common elements (consisting of the separation walls, sprinkler system, and fire alarm system) of the property located at 840 Coxwell and 555 Mortimer Avenues, which is jointly owned by the Board and Toronto East Health Network. The Board's share of activities relating to this entity is included in the consolidated financial statements.

All 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 amounting to \$12.68 million (\$12.90 million in 2020) are not included in the consolidated financial statements.

(d) 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 will be recognized as revenue in the fiscal year the related qualifying expenditures are incurred, or services are performed.

(e) 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 assets for use in providing services, is 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 purposes;
- Other restricted contributions received or receivable for capital purposes; and
- Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(f) Employee life and health trusts

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions, a number of Employee Life and Health Trusts (ELHTs) were established: The ELHTs provide health, dental care, life and accidental death and dismemberment insurance coverage to eligible employees. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario.

The Board's employees belong to the following Union groups ELHTs:

- Elementary Teachers' Federation of Ontario (ETFO);
- Ontario Secondary School Teachers' Federation (OSSTF);
- OSSTF Education Workers (OSSTF EW);
- Canadian Union of Public Employees (CUPE);
- Ontario Council of Education Workers (OCEW) (which includes Maintenance & Construction Skilled Trades Council (MCSTC));
- Non-unionized employees; and
- Principals and Vice Principals.

The Board is no longer responsible to provide certain benefits to employees who are part of the ELHTs.

Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution and Stabilization Adjustment. School boards are required to remit the negotiated amount per full-time equivalency (FTE) on a monthly basis.

(g) Defined retirement and other future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, sick leave credit gratuity, and workers' compensation.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(g) Defined retirement and other future benefits (continued)

The Board has adopted the following policies with respect to accounting for these employee benefits:

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.

- (i) The cost of retirement gratuities is 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, which averages 8.70 years.
- (ii) For post-retirement benefits, the benefit cost for health care, dental coverage and life insurance coverage is actuarially determined using the projected benefits method to the end of benefits period. Any actuarial gains and losses arising from changes to the discount rate and retiree claim cost assumptions are recognized in the period they arise.
- (iii) For self-insured workers' compensation benefit obligations that arise from specific events that occur from time to time, the cost is recognized immediately in the period the events occur. Actuarial gains and losses that are related to obligations for workers' compensation are recognized immediately in the period they arise.
- (iv) For long-term disability, life insurance and health care benefits for those on disability leave, actuarial gains and losses are amortized over the expected average service life of the employee group, which averages 6.50 years.
- (v) The Board's contributions to multiemployer defined benefit pension plans, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are recorded in the period in which they become payable.
- (vi) The costs of insured benefits for active employees reflected in these consolidated financial statements are the Board's portion of insurance premiums owed for coverage of employees during the period.

(h) Tangible capital assets

Tangible capital assets are recorded at cost which includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(h) Tangible capital assets (continued)

Tangible capital assets, except land, are amortized on a straight-line basis over the estimated useful life of the assets. Amortization rates are as follows:

Asset class	Estimated useful life
Buildings	40 years
Other buildings	20 years
Portable structures	20 years
Land improvements with finite lives	15 years
First time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5-10 years
Leasehold improvements	Over the lease term

Assets under construction are not amortized until the asset is available for productive use.

Land permanently removed from service (PRFS) is recorded at the lower of cost and net realizable value. Cost includes amounts to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and are recorded at the lower of carrying value and net realizable value. Land and building permanently removed from service that meet the criteria for inventory held for resale are recorded as "properties held for sale" on the consolidated statement of financial position. Those that do not meet these criteria continue to be recorded as part of "tangible capital assets" on the consolidated statement of financial position.

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

In 2020-21, the estimated useful life for computer hardware was revised from five years to three years based on new information related to the actual life of the assets. As such, additional amortization was recorded to bring the net book value in line with this new policy. The impact of this change in estimates is \$5.69 million of additional amortization in the current year.

(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, all eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the related tangible capital asset is amortized.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(j) Interest and investment income

Interest and investment income are reported as revenue in the period earned.

Interest income earned on monies invested specifically for externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balances.

Interest income also includes interest earned on cash balances held with a Canadian Chartered Bank, which accrues interest income at a rate of prime minus 1.45% as at August 31, 2021.

(k) Long-term debt

Long-term debt includes debentures and Ontario Financing Authority ("OFA") loans which were arranged for financing the Board's capital projects or high priority renewal projects.

(l) Property tax revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, Education Property Tax revenue received from the City of Toronto is recorded as part of Provincial grants for student needs.

(m) Contributed materials

Contributed materials are recognized by the Board at the date of contribution when a fair value can be reasonably estimated.

(n) Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees on August 6, 2020. 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.

(o) Use of estimates

The preparation of consolidated financial statements in conformity with the basis of accounting described in Note 1(a) 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. Estimates are reviewed periodically by management and, as adjustments become necessary, they are reported in the period in which they became known. Accounts subject to estimates include allowance for doubtful accounts receivable, certain accrued liabilities including legal claims and pay equity accruals, liability for contaminated sites, employee future benefits, useful lives of tangible capital assets, the recognition of deferred amounts related to capital contributions, deferred revenue, and the valuation of contributed materials. Actual results could differ from these estimates.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

2. Accounts receivable - Province of Ontario

The accounts receivable from the Province of Ontario are comprised primarily of amounts related to capital grants in the amount of \$463.87 million (\$449.10 million as at August 31, 2020) and delayed capital grant payments of \$147.33 million (\$116.05 million as at August 31, 2020).

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-2010. The Board recorded a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive this grant in cash over the remaining term of the existing capital debt instruments. The Board may also be entitled to yearly capital grants to support capital programs which would be reflected in this account.

Effective September 1, 2018, the Ministry of Education ("Ministry") introduced a cash management strategy. As part of the strategy, the Ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry.

3. Due from City of Toronto

In 2019-20, due to the response to COVID-19, the Province of Ontario extended the deadlines for municipalities to pay Education Property Tax (EPT) amounts to the Board. This amount for the Board was \$664.79 million in 2019-20, and was included in Due from City of Toronto on the consolidated statement of financial position. This amount was fully recovered by the Board in 2020-21, and regular EPT payments from the City of Toronto has resumed in 2020-21.

4. Due to Province of Ontario

In June 2020, the Province of Ontario announced a 90-day deferral of quarterly remittance of EPT from the municipalities to school boards, to extend payment of the June 30, 2020 instalment to September 30, 2020. To mitigate the financial impact of this deferral, the Province adjusted its cash flow through the School Board Operating Grant in July 2020 to pay an additional amount equal to approximately 25% of the annual EPT amount as forecasted by the Board in the 2019-20 Revised Estimates. This amount for the Board was \$499.26 million in 2019-20 and has been included in the Due to Province of Ontario on the consolidated statement of financial position. The amount was gradually repaid through monthly operating grant payment adjustments, upon receipt of the EPT payments from the City of Toronto. This amount has been repaid in full to the Province in 2020-21.

5. Retirement and other employee future benefits

(a) *A brief overview of the Board's benefit plans is set out below:*

Pension benefits

(i) *Supplementary War Veterans Allowance*

The Supplementary War Veterans Allowance Plan (the "Plan") consists of allowances to be paid to retired employees of the former Board of Education for the City of Toronto. The Plan is closed to new members. The Plan includes survivor benefits of 66 2/3% for the surviving spouse. The pension is subject to indexing at 100% of the increase in CPI. This Plan is unfunded. The benefit costs and liability related to this plan are recorded in the Board's consolidated financial statements.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

(a) *A brief overview of the Board's benefit plans is set out below: (continued)*

Retirement benefits

(i) *Sick leave credit gratuities*

The Board provides retirement sick leave credit gratuities to certain groups of employees hired prior to specific dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are recorded 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.

(ii) *Retirement life insurance and health care benefits*

All of the Board's benefit plans for active employees have transitioned to provincial ELHTs. As a result, the Board is no longer providing benefits to employees who retired after the transition dates. The Board, however, continues to provide health and dental benefits to ETFO, OSSTF, OSSTF EW, CUPE, and OCEW (which includes MCSTC) members who were enrolled in the Board's retiree benefit plans prior to the transition dates.

For the retired, non-unionized Senior team members and/or designated executives who were transitioned to their applicable ELHTs, former Board cost arrangements were maintained.

Employees who retired after the transition dates are not eligible to participate in the ELHT benefit programs, with the exception of Senior Officials, who were eligible to participate in the retiree benefit plans until August 12, 2021. Senior Officials who retired on or before August 12, 2021 will continue to receive the premium subsidy from the Board.

Other benefits

(i) *Workplace safety and insurance board obligations*

The Board is a Schedule II 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 actuarially determined liabilities related to this plan based on management's best estimate are recorded 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 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

(a) *A brief overview of the Board's benefit plans is set out below: (continued)*

Other benefits (continued)

(ii) *Long-term disability benefits*

The Board provides long-term disability insurance coverage for non-teaching employees. The benefit costs and actuarially determined liabilities related to this plan are included in the Board's consolidated financial statements. The Board has an internally restricted reserve, as disclosed in Note 12, and funds held on deposit, as disclosed in Note 5(f)(iii), to fund these liabilities.

Teaching staff have their own long-term disability plans through their Federations and are responsible for the entire cost. Accordingly, no costs or liabilities related to these plans are included in the Board's consolidated financial statements.

As of August 31, 2018, there are no active employee groups remaining for which the Board is responsible for providing health, dental and life insurance benefits.

(iii) *Sick leave top up benefits*

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.

(b) *Retirement and other employee future benefits liabilities*

	Pension benefits	Retirement benefits	Other benefits	2021 Total
	\$	\$	\$	\$
Unfunded accrued benefit obligation	1,311	202,917	187,336	391,564
Unamortized net actuarial losses	—	(34,901)	(29,526)	(64,427)
Accrued benefit liability	1,311	168,016	157,810	327,137

	Pension benefits	Retirement benefits	Other benefits	2020 Total
	\$	\$	\$	\$
Unfunded accrued benefit obligation	1,819	218,106	175,850	395,775
Unamortized net actuarial losses	—	(38,829)	(22,608)	(61,437)
Accrued benefit liability	1,819	179,277	153,242	334,338

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

(c) *Retirement and other employee future benefits expenses*

	Pension benefits	Retirement benefits	Other benefits	2021 Total
	\$	\$	\$	\$
Current year benefit costs	—	46	29,954	30,000
Interest on accrued benefit obligation	24	2,922	2,407	5,353
Recognition of actuarial losses	—	201	—	201
Curtailment (Gain)	—	(476)	—	(476)
Net amortization of actuarial (Gain) / Loss	(257)	4,878	6,610	11,231
Employee future benefits expenses	(233)	7,571	38,971	46,309
	Pension benefits	Retirement benefits	Other benefits	2020 Total
	\$	\$	\$	\$
Current year benefit costs	—	134	32,504	32,638
Interest on accrued benefit obligation	38	4,328	3,206	7,572
Recognition of actuarial losses	34	4,188	3,436	7,658
Employee future benefits expenses	72	8,650	39,146	47,868

These amounts are included in the respective expense categories on the consolidated statement of operations.

The accrued benefit obligation for post-retirement benefits was updated to reflect the change in plan eligibility for Senior Officials who retired after August 12, 2021. The accrued benefit obligation decreased by \$0.48 million (nil in 2020) due to Senior Officials included in prior year valuation who either did not retire by August 12, 2021 or resigned and therefore no longer eligible to post-retirement benefits. This decrease in benefit obligation has been reflected as a plan curtailment.

The amount of benefits paid during the year were \$0.27 million (\$0.32 million in 2020) for pension benefits, \$18.83 million (\$17.55 million in 2020) for retirement benefits, and \$34.40 million (\$35.53 million in 2020) for other employee future benefits.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

(d) Actuarial assumptions

The accrued benefit obligations for the retirement and employee future benefit plans are based on the most recent actuarial valuation for accounting purposes completed as at August 31, 2021.

These valuations take into account any plan changes and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2021	2020
	%	%
Estimated inflation		
Health	7.00	7.25
Dental	4.50	4.50
War veterans	1.50	1.50
WSIB	4.00	4.00
LTDI	1.50	1.50
Wages and salary increases	2.00	2.00
Discount on accrued benefit obligations	1.80	1.40

(e) Multi-employer pension plans

(i) Ontario Teachers' Pension Plan

Employees who are Teacher-certified, regardless of the capacity in which they work, are required to be members of Ontario Teachers' Pension Plan, a multi-employer 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 (OMERS)

Non-teaching employees of the Board are eligible to be members of OMERS, a multi-employer pension plan (the "Plan"). The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board's contributions equal the employees' contributions to the Plan. During the year ended August 31, 2021, the Board contributed \$54.13 million (\$52.98 million in 2020) to the Plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses and are included in the respective expense categories on the consolidated statement of operations. No pension liability for this type of plan is included in the Board's consolidated statement of financial position.

Each year, an independent actuary determines the funding status of OMERS Primary Pension by comparing the actuarial value of the 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 as at December 31, 2020. The results of this valuation disclosed total actuarial liabilities as at that date of \$113.06 billion in respect of benefits accrued for service with actuarial assets as at that date of \$109.84 billion indicating an actuarial deficit of \$3.20 billion. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the Board does not recognize any share of the OMERS pension deficit.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

(f) Funds held on deposit for employee benefit plans are represented by the following:

(i) Health and dental funds on deposit

The Board has funds held on deposit with Sun Life and Manulife to fund current liabilities for the health and dental plans administered by the Board in the amount of \$4.68 million (\$4.68 million as at August 31, 2020). These funds primarily cover estimated current period claims yet to be submitted by employees. The Board is still responsible for providing coverage to some retiree employee groups until they transition to their applicable ELHT.

(ii) Group Life Funds on deposit

The Board has funds held on deposit with Canada Life to fund current liabilities for the group life insurance plans of the Board in the amount of \$13.89 million (\$13.78 million as at August 31, 2020). The Board is still responsible for providing coverage to some retiree employee groups until they transition to their applicable ELHT.

(iii) Long-term disability funds on deposit

The Board has funds held on deposit with Sun Life and a Canadian Chartered Bank to fund the long-term disability plan of the Board in the amount of \$91.24 million (\$88.67 million as at August 31, 2020). These funds primarily cover the actuarially determined liabilities of the long-term disability plan and cover reduced Board premiums otherwise required by the long-term disability plan.

6. Properties held for sale

As of August 31, 2021, \$2.03 million (\$3.01 million in 2020) related to buildings and nil (nil in 2020) related to land were recorded as properties held for sale. No properties from this asset category were sold in 2021 (\$45.10 million in 2020 with a carrying value of \$8.29 million, and a gain on sale of \$36.80 million). During the year, total assets transferred to properties held for sale was \$2.03 million, offset by assets transferred from properties held for sale back to tangible capital assets of \$3.01 million as the timeline for the anticipated sale shifted beyond one year. This resulted in a net amount of \$0.98 million (nil in 2020) reclassified from properties held for sale to tangible capital assets.

Proceeds of \$16.66 million from sale of properties classified as tangible capital assets at the time of sale have been used to fund in-year capital projects, as well as \$13.14 million (\$0.35 million in 2020) recognized as revenue mainly to fund sale costs and school operations exempted by the Ministry due to COVID-19, with an amount remaining in deferred revenue of \$172.24 million (\$177.49 million in 2020), in accordance with Ontario Regulation 193/10 (See Note 8).

7. Short-term borrowing

	2021 \$	2020 \$
61 day Bankers Acceptances bearing interest at 1.18% (1.01% in 2020) maturing on September 23, 2021 (September 24, 2020 in 2020)	237,000	150,000

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

7. Short-term borrowing (continued)

The Board has a \$500 million credit facility with a Canadian chartered bank for operating and capital improvement purposes. The amount outstanding as at August 31, 2021 was \$237 million (\$150 million in 2020) and was used to support the Board's capital projects. Upon maturity on September 23, 2021, the credit facility was renewed at an amount of \$250 million, with a new maturity date of November 23, 2021. Subsequent to November 23, 2021, the credit facility was renewed at an amount of \$250 million, with a new maturity date of February 23, 2022. In addition, the Board has outstanding letters of credit in the amount of \$4.68 million as at August 31, 2021 (\$3.10 million as at August 31, 2020).

The Ministry funds the interest cost incurred on the short-term borrowing. For Ministry arranged permanent financing under a long-term financing arrangement see Note 10 (c), (d), (e), (f), (g), (h), (i), (j) and (k)).

8. Deferred revenue

The continuity of deferred revenue including those set aside for specific purposes by legislation, regulation or agreement as at August 31, 2021 is as follows:

	Balance, August 31, 2020 \$	Externally restricted revenue and investment income \$	Revenue recognized during the year \$	Transfer to deferred capital contributions \$	Balance, August 31, 2021 \$
Special Education	8,109	340,366	(344,517)	—	3,958
Other Ministry of Education grants	359	129,743	(122,284)	—	7,818
Other Provincial grants	3,944	28,566	(29,485)	—	3,025
Tuition fees	21,644	13,318	(21,321)	—	13,641
Other (operating)	9,922	37,294	(32,467)	—	14,749
Minor tangible capital assets	—	74,240	(64,156)	(10,084)	—
School renewal	5,464	47,091	(31,428)	(10,344)	10,783
Experiential Learning	—	4,221	(3,303)	—	918
Temporary accommodation	—	435	—	(435)	—
Retrofitting school space for child care	1,426	—	—	—	1,426
Renewable energy	196	—	—	—	196
Proceeds of disposition	177,490	16,658	(13,141)	(8,765)	172,242
Properties held for sale	3,009	(977)	—	—	2,032
Developer contributions (Note 18)	594	—	—	(85)	509
Other	634	26,687	(1,221)	(21,366)	4,734
	232,791	717,642	(663,323)	(51,079)	236,031

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

9. 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 spent by year end. The contributions are amortized into revenue at the rate used to amortize the related asset over its useful life.

	2021	2020
	\$	\$
Balance, beginning of year	2,492,990	2,472,629
Additions to deferred capital contributions	245,046	242,957
Revenue recognized in the period	(214,005)	(221,175)
Write-offs due to tangible capital asset disposals	—	(1,421)
Net transfers from deferred revenue relating to properties held for sale	977	—
Balance, end of year	2,525,008	2,492,990

10. Net long-term debt

(a) Net long-term debt reported in the consolidated statement of financial position is comprised of the following:

		Interest rate %	Maturity date	2021	2020
				\$	\$
Critical renewal debenture	Note 10(b)	5.07	December 17, 2024	10,164	12,756
Ontario Financing Authority	Note 10(c)	4.56	November 15, 2031	60,103	64,479
Ontario Financing Authority	Note 10(d)	4.90	March 3, 2033	64,265	68,209
Ontario Financing Authority	Note 10(e)	5.06	March 13, 2034	58,652	61,835
Ontario Financing Authority	Note 10(f)	5.23	April 13, 2035	38,110	39,935
Ontario Financing Authority	Note 10(g)	4.83	March 11, 2036	35,342	36,943
Ontario Financing Authority	Note 10(h)	3.59	March 9, 2037	17,801	18,627
Ontario Financing Authority	Note 10(i)	3.66	June 25, 2038	29,626	30,852
Ontario Financing Authority	Note 10(j)	4.00	March 11, 2039	15,093	15,665
Ontario Financing Authority	Note 10(k)	2.99	March 9, 2040	12,344	12,826
Balance as at August 31				341,500	362,127

- (b) On December 17, 2004 the Board issued a \$40 million debenture to fund an equivalent amount of major renovation projects. The debenture bears interest at 5.07% and has a 20 year amortization with semi-annual interest and principal payments of \$1.60 million. The annual debt service of \$3.21 million is funded from the annual Facility Renewal Grant.
- (c) On November 15, 2006, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$107.74 million of the Good Places to Learn ("GPL") program. The loan is repayable by semi-annual installments of principal and interest of \$3.63 million based on a 25-year amortization schedule and bears interest of 4.56%. The annual principal and interest costs are funded by the Ministry of Education.
- (d) On March 3, 2008, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$103.24 million (GPL of \$93.92 million and Primary Class Size ("PCS") of \$9.32 million). The loan is repayable by semi-annual installments of principal and interest of \$3.62 million based on a 25-year amortization schedule and bears interest of 4.90%. The annual principal and interest costs are funded by the Ministry of Education.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

10. Net long-term debt (continued)

- (e) On March 13, 2009, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$88.10 million (GPL of \$81.10 million and PCS of \$7 million). The loan is repayable by semi-annual installments of principal and interest of \$3.14 million based on a 25-year amortization schedule and bears interest of 5.06%. The annual principal and interest costs are funded by the Ministry of Education.
- (f) On April 14, 2010, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$53.83 million (GPL of \$51.73 million and PCS of \$2.10 million). The loan is repayable by semi-annual installments of principal and interest of \$1.95 million based on a 25-year amortization schedule and bears interest of 5.23%. The annual principal and interest costs are funded by the Ministry of Education.
- (g) On March 11, 2011, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$48.38 million (GPL of \$33.92 million and PCS of \$14.46 million). The loan is repayable by semi-annual installments of principal and interest of \$1.68 million based on a 25-year amortization schedule and bears interest of 4.83%. The annual principal and interest costs are funded by the Ministry of Education.
- (h) On March 9, 2012, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$24.28 million (GPL of \$23.88 million and PCS of \$0.40 million). The loan is repayable by semi-annual installments of principal and interest of \$0.74 million based on a 25-year amortization schedule and bears interest of 3.59%. The annual principal and interest costs are funded by the Ministry of Education.
- (i) On June 26, 2013, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$37.83 million (GPL of \$21.23 million and Capital Enveloping (ARC) of \$16.60 million). The loan is repayable by semi-annual installments of principal and interest of \$1.17 million based on a 25-year amortization schedule and bears interest of 3.66%. The annual principal and interest costs are funded by the Ministry of Education.
- (j) On March 12, 2014, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$18.66 million (Prohibit to Repair of \$14.06 million and Capital Priority Program of \$4.60 million). The loan is repayable by semi-annual installments of principal and interest of \$0.60 million based on a 25-year amortization schedule and bears interest of 4.00%. The annual principal and interest costs are funded by the Ministry of Education.
- (k) On March 11, 2015, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$15.03 million (Primary Class Size of \$3.60 million and Capital Priority Program of \$11.43 million). The loan is repayable by semi-annual installments of principal and interest of \$0.43 million based on a 25-year amortization schedule and bears interest of 2.99%. The annual principal and interest costs are funded by the Ministry of Education.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

10. Net long-term debt (continued)

- (l) Principal and interest payments relating to net long-term debt of \$458.41 million (\$495.53 million as at August 31, 2020) outstanding as at August 31, 2021 are due as follows:

	Principal payments \$	Interest \$	Total \$
2022	21,609	15,518	37,127
2023	22,637	14,489	37,126
2024	23,716	13,411	37,127
2025	23,243	12,281	35,524
2026	22,702	11,219	33,921
Thereafter	227,593	49,990	277,583
	<u>341,500</u>	<u>116,908</u>	<u>458,408</u>

- (m) Interest on long-term debt amounted to \$16.22 million (\$17.15 million in 2020).

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

11. Tangible capital assets

Opening and closing balances with activities for the year ended August 31, 2021

\$ in 000's	Cost					Accumulated Amortization					Net Book Value	Net Book Value		
	Balance at September 1, 2020	Additions	Transfers between Asset Class	Net transfers from Held for Sale	Disposals	Balance at August 31, 2021	Balance at September 1, 2020	Amortization	Transfers between Asset Class	Net transfers from Held for Sale	Disposals, write-offs	Balance at August 31, 2021	Balance at August 31, 2021	Balance at August 31, 2020
Land	110,727	(27)	-	-	-	110,700	-	-	-	-	-	110,700	110,727	
Land Improvements	241,221	22,261	-	(19)	-	263,463	140,508	13,388	-	(18)	-	153,878	109,585	100,713
Buildings (40 Years)	4,136,193	195,477	20,387	(1,126)	-	4,350,931	1,833,990	184,240	-	(2,104)	-	2,016,126	2,334,805	2,302,203
Buildings (20 Years)	103	396	-	-	-	499	12	10	-	-	-	22	477	91
Portable Structures	40,800	1,724	-	-	-	42,524	18,272	2,137	-	-	-	20,409	22,115	22,528
Construction in Progress (CIP)	50,499	12,926	(20,387)	-	-	43,038	-	-	-	-	-	43,038	50,499	
Pre-Acquisition Building	-	-	-	-	-	-	-	-	-	-	-	-	-	
Equipment (5 Years)	147	-	-	-	(12)	135	82	28	-	-	(12)	98	37	65
Equipment (10 Years)	3,813	188	-	-	(413)	3,588	1,822	371	-	-	(413)	1,780	1,808	1,991
Equipment (15 Years)	5,532	-	-	-	-	5,532	3,194	232	-	-	-	3,426	2,106	2,338
First time Equipping (10 Years)	8,154	723	-	-	(229)	8,648	4,053	826	-	-	(229)	4,650	3,998	4,101
Furniture (10 Years)	797	35	-	-	(105)	727	363	76	-	-	(105)	334	393	434
Computer Hardware	29,211	9,193	-	-	(19,063)	19,341	14,511	12,364	-	-	(19,063)	7,812	11,529	14,700
Computer Software	2,215	522	-	-	-	2,737	871	539	-	-	-	1,410	1,327	1,344
Vehicles (< 10,000 pounds)	2,495	85	-	-	-	2,580	2,345	89	-	-	-	2,434	146	150
Vehicles (> 10,000 pounds)	11,112	1,534	-	-	-	12,646	5,893	847	-	-	-	6,740	5,906	5,219
Leasehold improvement - Building	7,366	25	-	-	-	7,391	5,863	173	-	-	-	6,036	1,355	1,503
Leasehold improvement - land	1,328	(43)	-	-	-	1,285	520	112	-	-	-	632	653	808
Building (PRFS)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	4,651,713	245,019	-	(1,145)	(19,822)	4,875,765	2,032,299	215,432	-	(2,122)	(19,822)	2,225,787	2,649,978	2,619,414

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

11. Tangible capital assets (continued)

(a) *Assets permanently removed from service*

Under the assets permanently removed category, no assets were written off in 2021 (\$1.42 million in 2020 was written off due to demolition with related deferred capital contribution recognized).

(b) *Works of art and historic artifacts*

TDSB has an art collection in its possession with an insured value of \$7.40 million (\$7.40 million in 2020). In addition, TDSB also has a number of historic artifacts. In accordance with Canadian public sector accounting standards, these works of art and historic artifacts are not recorded as an asset in these consolidated financial statements.

12. Accumulated surplus

Accumulated surplus consists of the following:

	2021	2020
	\$	\$
Accumulated surplus		
Working funds	22,720	16,744
Internal reserves and reserve funds	179,034	159,938
Employee future benefits	(257,036)	(280,513)
Interest accrual	(4,575)	(4,832)
School generated funds	19,035	23,527
Capital grants used on land purchases	110,698	110,727
Liability for contaminated sites	(1,025)	(1,025)
	68,851	24,566

Internal reserves and reserve funds set aside for specific purposes by the Board of Trustees consist of the following:

	2021	2020
	\$	\$
Employee benefit plans	109,807	106,190
School support	51,724	34,920
Committed sinking fund interest earned	14,271	15,699
Other	3,232	3,129
	179,034	159,938

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

13. Contractual obligations and commitments

(a) Capital, facility renewals and renovations

The Board's commitments for approved capital and facility renewal programs as at August 31, 2021 amounted to \$209.68 million (\$78.10 million as at August 31, 2020).

(b) Other significant obligations

- (i) The Board awarded contracts for student transportation ending August 31, 2022 with two one-year extensions. The estimated annual commitment under these contracts is \$64.27 million (\$62.99 million in 2020).
- (ii) The Board is committed to purchase natural gas including transportation through supply contracts with various expiry dates; the latest contract expires on October 31, 2024. The estimated outstanding costs of these contracts are \$17.65 million (\$8.52 million in 2020).
- (iii) The Board is committed to a Wide Area Network contract which expires in August 2022. The estimated annual commitment under this contract is \$5.38 million (\$5.38 million in 2020).
- (iv) The Board is committed to a Multi-Functional Devices contract which expires in May 2026. The estimated remaining commitment under the contract to its expiry date is \$0.98 million to \$2.80 million per year depending on print volumes (\$2.45 million in 2020).

14. Contingent liabilities

Legal claims

The Board has been named as the defendant in certain legal actions, in which damages have been sought. Any losses arising from these actions are recorded in the year that the related litigation is settled or when any likely amounts are measurable. Where the outcomes of actions are not determinable as at August 31, 2021, no provision is made in the consolidated financial statements.

Pay equity

The Board is continuing to negotiate several pay equity claims with employee groups. Management records any future pay equity settlements in the year in which the claim is settled, or earlier, if the amount is determined to be likely and the liability is measurable.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

15. Expenses by object

The following is a summary of the expenses reported on the consolidated statement of operations by object:

	2021 \$	2020 \$
Expenses		
Salary and wages	2,411,862	2,312,981
Employee benefits	424,745	408,446
Staff development	1,651	1,274
Supplies and services	175,254	143,273
Interest	18,658	21,041
Rental expenses	13,596	14,707
Fees and contract services	154,372	138,306
Other	9,496	4,584
Amortization of tangible capital assets	215,432	222,602
School funded activities	8,508	21,138
	3,433,574	3,288,352

16. Grants for student needs

Included in grants for student needs is an amount of \$1.673 billion (\$1.719 billion in 2020) raised through local property taxation by the Province and allocated to the Board.

17. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$275.10 million 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.

The flow-through of \$20.50 million (\$20.50 million in 2020) in grants in respect of the above agreement for the year ended August 31, 2021, is not recorded in these consolidated financial statements.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

18. Financial contribution agreements

During 2001-2002, the Board established three joint trust accounts with the Toronto Catholic District School Board pertaining to Education Development Levy Agreements. These Agreements pertain to building developments that pre-date the passing of the Education Development Charges provisions of the Education Act. As at August 31, 2021, the total levy amount in these joint trust accounts is \$33.3 million (\$34 million in 2020). The Board's current share of this amount is \$0.03 million (\$0.11 million in 2020) as reflected in the consolidated statement of financial position. The Board's financial interest in the remaining un-apportioned balance in the joint trust accounts has not been reflected in the consolidated statement of financial position.

The funds in the joint trust accounts must be used for construction of school facilities in specific designated areas of the City of Toronto.

As at August 31, 2021, the joint account has allotted a total of \$40.48 million (\$40.48 million in 2020) for construction of school facilities at Jean Lumb Public School with \$20.85 million (\$20.85 million in 2020) representing the Board's share of the approved project costs.

During 2020-21, payments related to construction and furniture and equipment cost for both school boards totalled \$1.09 million (\$4.84 million in 2020). Of this, \$0.57 million (\$2.48 million in 2020) represents the Board's payment of project costs and has been reflected in the Board's consolidated statement of financial position as follows: \$0.09 million (\$2 million in 2020) has been capitalized for a total of \$20.35 million (\$20.26 million in 2020), and \$0.48 million (\$0.48 million in 2020) has been recorded as prepaid expenses.

19. Transportation agreement

In 2011, the Board entered into an agreement with the Toronto Catholic District School Board in order to provide common administration of student transportation in the City of Toronto. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities of Toronto Transportation group are shared. No partner is in a position to exercise unilateral control.

The Board's portion of transportation expenses has been included in the consolidated statement of operations.

20. Liability for contaminated sites

As at August 31, 2021, the Board has a liability for contaminated sites of \$1.03 million (\$1.03 million in 2020). The liability relates to contamination at two Board properties that are no longer in productive use, and was estimated based on a baseline phase II environmental site assessment performed by an environmental consulting firm. No recoveries are expected.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2021

(Tabular amounts in thousands of dollars)

21. Sale of Bloor and Dufferin property

On December 7, 2016, the Board entered into a Purchase and Sale Agreement with a developer to sell 7.3 acres of land for a multi-use development at the corner of Bloor and Dufferin. The gross sale proceeds of the land are \$121.50 million.

Further, a Memorandum of Understanding was signed on December 15, 2016, committing the developer to build a 30,000 square feet community hub conditional on cost recoverable funding from the Province and City. The Provincial contribution of \$7 million towards a childcare component of the hub was previously announced and will be flowed from the Ministry of Education to the Board, and in turn to the developer upon construction.

The property sale was closed on September 13, 2021 with total proceeds of \$151.50 million. The higher sale proceeds were attributable to a \$29.97 million density bonus negotiated with the developer. This sale transaction will be reflected in the 2021-22 consolidated financial statements.

22. In-kind transfers from the Ministry of Government and Consumer Services

The Board has recorded entries, both revenue and expenses, associated with centrally procured in-kind transfers of personal protective equipment ("PPE") and critical supplies and equipment ("CSE") received from the Ministry of Government and Consumer Services ("MGCS"). The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MGCS and quantity information based on the Board's records. The in-kind revenue and expenses recorded for these transfers is \$9.34 million.

23. Significant events

On March 11, 2020, the novel coronavirus ("COVID-19") was declared as a global pandemic by the World Health Organization which resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. School operations continued to be impacted by the pandemic in 2020-21 with intermittent school closures and in-person/virtual school operations throughout the year. In support of school operations during the year, the government provided additional funding and personal protective equipment to the Board. The Board continues to face operational and financial pressures with the reopening of schools in 2021-22. Management believes these pressures may be temporary in nature; however, there is ambiguity about the length and potential impact of these pressures due to the constantly evolving nature of the pandemic; hence, management will continue to carefully assess the overall impact of the pandemic on the consolidated financial results of the Board.

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