

*Consolidated Financial Statements of*

**TORONTO DISTRICT SCHOOL BOARD**

*August 31, 2007*

## Auditors' Report

To the Board of Trustees of  
the Toronto District School Board

We have audited the consolidated statement of financial position of the Toronto District School Board as at August 31, 2007 and the consolidated statements of financial activities and fund balance and of changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, net expenditure, financial assets and net financial position.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Toronto District School Board as at August 31, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

Toronto, Ontario  
November 16, 2007

# TORONTO DISTRICT SCHOOL BOARD

## Table of Contents

August 31, 2007

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	<u>Page</u>
Consolidated Statement of Financial Position	1
Consolidated Statement of Financial Activities and Fund Balance	2
Consolidated Statement of Changes in Financial Position	3
Schedule of Operating Fund Financial Activities and Fund Balance - Schedule 1	4
Schedule of Capital Fund Financial Activities and Fund Balance - Schedule 2	5
Schedule of Reserve Fund Financial Activities and Fund Balance - Schedule 3	6
Schedule of School Generated Fund Financial Activities and Fund Balance - Schedule 4	7
Notes to the Consolidated Financial Statements	8-21

**TORONTO DISTRICT SCHOOL BOARD**  
**Consolidated Statement of Financial Position**


August 31, 2007

(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 37,552	\$ 60,894
Due from City of Toronto	112,232	160,797
Accounts receivable	13,695	18,877
Funds on deposit (Note 4(f))	37,668	33,080
<b>Total financial assets</b>	<b>201,147</b>	<b>273,648</b>
<b>FINANCIAL LIABILITIES</b>		
Short term borrowing (Note 2)	64,258	97,000
Accounts payable and accrued liabilities	169,781	177,868
Due to Province of Ontario	34,314	13,528
Accrued vacation pay	14,701	12,547
Deferred revenue		
Reserve funds (Note 3)	5,183	22,219
Other	43,084	33,492
Employee future benefits payable (Note 4)	421,060	417,121
Net long term debt (Note 5)	191,327	93,690
<b>Total liabilities</b>	<b>943,708</b>	<b>867,465</b>
<b>NET FINANCIAL LIABILITIES</b>	<b>(742,561)</b>	<b>(593,817)</b>
<b>NON-FINANCIAL ASSET - Prepaid expenses and supplies</b>	<b>7,363</b>	<b>7,297</b>
<b>NET LIABILITIES</b>	<b>\$ (735,198)</b>	<b>\$ (586,520)</b>
<b>FINANCIAL POSITION</b>		
Fund balances		
Operating Fund - Schedule 1	\$ (981)	\$ -
Capital Fund - Schedule 2	(131,246)	(96,997)
Reserve Fund - Schedule 3 (Note 6)	11,522	22,048
School Generated Activity Fund - Schedule 4	15,418	14,808
<b>Total fund balances</b>	<b>(105,287)</b>	<b>(60,141)</b>
Amounts to be recovered in future years (Note 7)	(629,911)	(526,379)
<b>NET FINANCIAL POSITION</b>	<b>\$ (735,198)</b>	<b>\$ (586,520)</b>

COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)

APPROVED BY THE BOARD

  
 .....  
 Director of Education and Secretary Treasurer

  
 .....  
 Chair of the Board

See accompanying notes to financial statements.

**TORONTO DISTRICT SCHOOL BOARD**  
**Consolidated Statement of Financial Activities and Fund Balance**  
Year ended August 31, 2007  
(in thousands of dollars)

	2007		2006
	Budget (unaudited)	Actual	Actual (Restated - Note 14)
<b>REVENUES</b>			
Local taxation	\$ 1,392,806	\$ 1,423,527	\$ 1,427,053
Provincial grants			
Grants for Student Needs	841,427	834,161	820,830
Other	18,614	37,885	38,238
Federal grants and fees	35,000	33,133	30,882
Other fees and revenues	71,277	93,009	113,083
School fundraising	40,000	42,883	41,252
<b>Total revenues</b>	<b>2,399,124</b>	<b>2,464,598</b>	<b>2,471,338</b>
<b>EXPENDITURES (Note 8)</b>			
Instruction	1,916,584	1,934,976	1,880,845
Administration	94,139	95,816	95,346
Transportation	42,466	42,428	41,689
School operations and maintenance	276,833	271,737	295,823
Pupil accommodation	225,778	226,112	207,506
School funded activities	40,000	42,273	40,503
<b>Total expenditures</b>	<b>2,595,800</b>	<b>2,613,342</b>	<b>2,561,712</b>
<b>NET EXPENDITURE</b>	<b>(196,676)</b>	<b>(148,744)</b>	<b>(90,374)</b>
<b>INCREASE IN NON-FINANCIAL ASSETS</b>			
- prepaid expenses	-	66	1,956
<b>CHANGE IN NET LIABILITIES</b>	<b>(196,676)</b>	<b>(148,678)</b>	<b>(88,418)</b>
<b>FINANCING TRANSACTIONS</b>			
Debt repayments - principal	(8,274)	(10,106)	(12,822)
Debt issue	-	107,741	-
Increase in unfunded liabilities	13,787	5,897	(310)
<b>CHANGE IN AMOUNTS TO BE RECOVERED</b>	<b>5,513</b>	<b>103,532</b>	<b>(13,132)</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(191,163)</b>	<b>(45,146)</b>	<b>(101,550)</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>(60,142)</b>	<b>(60,141)</b>	<b>41,409</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (251,305)</b>	<b>\$ (105,287)</b>	<b>\$ (60,141)</b>

See accompanying notes to financial statements.

**TORONTO DISTRICT SCHOOL BOARD**  
**Consolidated Statement of Changes in Financial Position**  
Year ended August 31, 2007  
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
<b>NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>OPERATING ACTIVITIES</b>		
Net expenditure	\$ (148,744)	\$ (90,374)
Sources and uses		
Decrease in due from City of Toronto	48,565	57,071
Decrease in accounts receivable	5,182	10,559
(Decrease) increase in accounts payable and accrued liabilities and accrued vacation pay	(5,931)	18,039
Increase in due to Province of Ontario	20,786	9,965
(Decrease) increase in deferred revenues		
Reserves funds	(17,036)	(41,710)
Other	9,592	(4,127)
Increase in employee future benefits payable	3,939	241
	<u>(83,647)</u>	<u>(40,336)</u>
<b>FINANCING ACTIVITIES</b>		
Funds on deposit	(4,588)	(1,870)
City of Toronto short term borrowing	-	(10,000)
Short term borrowing - net	(32,742)	97,000
Debt repayments	(10,106)	(12,822)
Debt issue	107,741	-
	<u>60,305</u>	<u>72,308</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(23,342)</b>	<b>31,972</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>60,894</b>	<b>28,922</b>
<b>CASH, END OF YEAR</b>	<b>\$ 37,552</b>	<b>\$ 60,894</b>

See accompanying notes to financial statements.

**TORONTO DISTRICT SCHOOL BOARD**  
**Schedule of Operating Fund Financial Activities and Fund Balance**  
Year ended August 31, 2007  
(in thousands of dollars)

	2007		Schedule 1
	Budget	Actual	2006
	(unaudited)		Actual (Restated- Note 14)
<b>REVENUES</b>			
Local taxation	\$ 1,392,806	\$ 1,423,527	\$ 1,427,053
Provincial grants			
Grants for Student Needs	841,427	834,161	820,830
Other	18,614	37,885	38,238
Federal grants and fees	35,000	33,133	30,882
Other fees and revenues	71,277	79,472	70,188
<b>Total revenues</b>	<b>2,359,124</b>	<b>2,408,178</b>	<b>2,387,191</b>
<b>EXPENDITURES</b>			
Instruction	1,902,064	1,917,492	1,862,407
Administration	93,549	95,243	94,863
Transportation	42,466	42,428	41,689
School operations and maintenance	276,119	271,074	295,073
Pupil accommodation	14,015	14,116	11,076
<b>Total expenditures</b>	<b>2,328,213</b>	<b>2,340,353</b>	<b>2,305,108</b>
<b>NET REVENUE</b>	<b>30,911</b>	<b>67,825</b>	<b>82,083</b>
<b>INCREASE IN</b>			
<b>NON-FINANCIAL ASSETS</b>			
Prepaid expenses	-	66	1,956
<b>FINANCING TRANSACTIONS</b>			
Debt repayments - Principal	(8,274)	(10,106)	(12,822)
Increase in unfunded liabilities	13,787	5,897	(310)
<b>CHANGE IN AMOUNTS</b>			
<b>TO BE RECOVERED</b>			
	5,513	(4,209)	(13,132)
<b>NET TRANSFERS (TO) FROM</b>			
<b>OTHER FUNDS</b>			
Transfers to Capital Fund	(56,393)	(75,189)	(62,855)
Transfers from (to) Reserve Funds	19,969	10,526	(8,052)
Net transfers to other funds	(36,424)	(64,663)	(70,907)
<b>CHANGE IN OPERATING</b>			
<b>FUND BALANCE</b>			
	-	(981)	-
<b>OPERATING FUND BALANCE,</b>			
<b>BEGINNING OF YEAR</b>			
	-	-	-
<b>OPERATING FUND BALANCE,</b>			
<b>END OF YEAR</b>			
	\$ -	\$ (981)	\$ -

See accompanying notes to financial statements.

**TORONTO DISTRICT SCHOOL BOARD**  
**Schedule of Capital Fund Financial Activities and Fund Balance**

Year ended August 31, 2007

(in thousands of dollars)

Schedule 2

	2007		2006
	Budget (unaudited)	Actual	Actual
<b>REVENUES</b>			
Other revenues	\$ -	\$ 13,537	\$ 42,895
<b>EXPENDITURES</b>			
Instruction	14,520	17,484	18,438
Administration	590	573	483
School operations and maintenance	714	663	750
Pupil accommodation	211,763	211,996	196,430
Total expenditures	227,587	230,716	216,101
Net expenditure	(227,587)	(217,179)	(173,206)
<b>LONG TERM FINANCING</b>	-	107,741	-
<b>NET TRANSFERS FROM</b>			
Operating Fund	56,393	75,189	62,855
Reserve Fund	-	-	14,641
<b>CHANGE IN CAPITAL FUND BALANCE</b>	(171,194)	(34,249)	(95,710)
<b>CAPITAL FUND BALANCE, BEGINNING OF YEAR</b>	(96,997)	(96,997)	(1,287)
<b>CAPITAL FUND BALANCE, END OF YEAR</b>	\$ (268,191)	\$ (131,246)	\$ (96,997)

See accompanying notes to financial statements.



**TORONTO DISTRICT SCHOOL BOARD**  
**Schedule of Reserve Fund Financial Activities and Fund Balance**

Year ended August 31, 2007

(in thousands of dollars)

Schedule 3

	2007		2006
	Budget (unaudited)	Actual	Actual
NET TRANSFERS (TO) FROM			
Operating Fund	\$ (19,969)	\$ (10,526)	\$ 8,052
Capital Fund	-	-	(14,641)
CHANGE IN RESERVE FUND BALANCE	(19,969)	(10,526)	(6,589)
RESERVE FUND BALANCE, BEGINNING OF YEAR	22,048	22,048	28,637
RESERVE FUND BALANCE, END OF YEAR	\$ 2,079	\$ 11,522	\$ 22,048

See accompanying notes to financial statements.

**TORONTO DISTRICT SCHOOL BOARD**  
**Schedule of School Generated Fund Financial Activities**  
**and Fund Balance**

Year ended August 31, 2007  
(in thousands of dollars)

Schedule 4

	2007		2006
	Budget (unaudited)	Actual	Actual
REVENUES			
School fundraising and other revenue	\$ 40,000	\$ 42,883	\$ 41,252
EXPENDITURES			
School funded activities	40,000	42,273	40,503
NET INCOME AND CHANGE IN SCHOOL GENERATED ACTIVITY FUND	-	610	749
SCHOOL GENERATED ACTIVITY FUND BALANCE, BEGINNING OF YEAR	14,808	14,808	14,059
SCHOOL GENERATED ACTIVITY FUND BALANCE, END OF YEAR	\$ 14,808	\$ 15,418	\$ 14,808

See accompanying notes to financial statements.

# TORONTO DISTRICT SCHOOL BOARD

## Notes to the Consolidated Financial Statements

August 31, 2007

(Tabular amounts in thousands of dollars)

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### 1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

Significant accounting policies adopted are as follows:

*a) Reporting entity*

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity includes all organizations which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

All material interdepartmental and inter-entity transactions and balances between these organizations are eliminated on consolidation.

*b) Trust funds*

Trust funds and their related operations administered by the Board amounting to \$6.5 million (2006 - \$6.2 million) are not included in the consolidated financial statements.

*c) Basis of accounting*

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as the result of the receipt of goods or services and the creation of a legal obligation to pay.

*d) Capital assets*

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities and Fund Balance in the year of acquisition or construction.

*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 will be recognized as revenue in the fiscal year the related qualifying expenditures are incurred or services are performed.

# TORONTO DISTRICT SCHOOL BOARD

## Notes to the Consolidated Financial Statements

August 31, 2007

(Tabular amounts in thousands of dollars)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *f) Retirement and other employee future benefits*

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, sick leave credit gratuity, accumulated sick leave, workers' compensation and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates.

For self insured retirement and other employee future benefits that vest and accumulate over the periods of service provided by employees, such as sick leave credit gratuities, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For non-vesting accumulating sick days, the accrued benefit obligation is the actuarial present value of the future expected cash flows with respect to the existing sick leave bank balances determined as at the valuation date. These cash flows will reflect expected salary increases and survivorship at each future date.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation, long-term disability and 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 obligations for workers' compensation are recognized immediately in the period they arise.

Actuarial gains and losses related to obligations for long-term disability are amortized over the expected average service life of the employee group.

- (ii) The Board's contributions to multi-employer defined benefit pension plans, such as the Ontario Municipal Employees Retirement System pensions, are recorded in the period in which they become payable.
- (iii) 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.

# TORONTO DISTRICT SCHOOL BOARD

## Notes to the Consolidated Financial Statements

August 31, 2007

(Tabular amounts in thousands of dollars)

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### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

*g) Reserves and reserve funds*

Certain amounts, as approved by the Board of Trustees, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are recorded as an adjustment to the respective reserve/reserve fund in accordance with Board approval.

*h) 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.

*i) Investment income*

Investment income earned on surplus operating funds, capital funds, reserves and reserve funds and school generated funds 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.

*j) Budget figures*

Budget figures have been provided for comparison purposes and have been derived from the original budget approved by the Board of Trustees at the time of the submission of the Annual Estimates for 2006-2007 to the Ministry of Education on December 4, 2006. The budget approved by the Board of Trustees was 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. The budget figures reported in the consolidated financial statements have been presented on a basis consistent with Public Sector Accounting Standards. These budget figures are unaudited.

*k) Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these estimates. Estimates are reviewed periodically by management and, as adjustments become necessary, they are reported in the period in which they became known.

**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

**2. SHORT TERM BORROWING**

	<u>2007</u>	<u>2006</u>
90 day Bankers Acceptances bearing interest at rates ranging from 4.62% to 5.04%, maturing at various dates to November 23, 2007	<b>\$ 64,258</b>	<b>\$ 97,000</b>

The Board has incurred short term borrowing at August 31, 2007 in the amount of \$64 million, to provide interim financing for the Good Places to Learn (GPL) initiative of the Ministry of Education ("the Ministry"). The GPL initiative will provide the Board with approximately \$272 million for major renewal projects for its school buildings. GPL phase 1 providing \$175 million and GPL phase 2 providing a further \$97 million, were announced in 2005-2006 and 2006-2007 respectively. The Ministry is funding the interest cost incurred on the short term financing. Further, the Ministry will periodically arrange for the permanent financing, under a long term financing arrangement. (See also Note 5 (d)).

The Board has a \$50 million line of credit with the CIBC for operating purposes. As at August 31, 2007 the amount outstanding relating to this line of credit was \$Nil (2006 - \$Nil).

**3. DEFERRED REVENUE - RESERVE FUNDS**

Deferred revenue externally restricted for specific purposes by legislation, regulation or agreement as at August 31, is comprised of:

	<u>2007</u>	<u>2006</u>
Pupil accommodation - facilities renewal	<b>\$ 5,000</b>	<b>\$ 19,610</b>
Proceeds of disposition	-	461
Assistance for student success	<b>183</b>	998
Phase IV energy project	-	1,150
	<b>\$ 5,183</b>	<b>\$ 22,219</b>

**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

**3. DEFERRED REVENUE - RESERVE FUNDS (continued)**

The Continuity of Deferred Revenue - Reserve Funds of the Board is summarized below:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 22,219	\$ 63,929
Increase in deferred revenue	60,647	59,028
Interest earned	1,183	1,759
	<u>84,049</u>	<u>124,716</u>
Deferred revenue recognized	78,866	102,497
Balance, end of year	<u>\$ 5,183</u>	<u>\$ 22,219</u>

**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS**

- (a) The Board provides certain benefits to employees and retirees the majority of which are unfunded and will require funding in future periods. An actuarial valuation / update of each respective plan was completed as of August 31, 2007. A brief overview of these 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.

(ii) *The Toronto District School Board Business and Support Employees' Paid-up Pension Plan (Formerly the North York Board of Education) ("the Plan")*

The Plan relates to the non-teaching employees of the former North York Board of Education who were hired before July 1, 1965 and who had paid-up entitlement in the former Metropolitan Toronto Pension Plan for service before their date of transfer to the OMERS Plan. The Plan has been closed to new members since July 1, 1965. The Plan includes, among other provisions, survivor benefits of 66 2/3% of the members' full accrued pension. The Plan has been subject to indexing at 100% of the increase in the CPI. The Plan is fully funded. 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, 2007

(Tabular amounts in thousands of dollars)

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#### 4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(a) (continued)

##### *Retirement benefits*

(i) *Sick leave credit gratuities*

The Board provides sick leave credit gratuities to certain groups of employees. The amount of the gratuities paid to eligible employees at retirement, death or total disability is based on their salary, accumulated sick days, and years of service at the time of the event. 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.

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

Employees are able to continue coverage for life insurance, dental and health care benefits after retirement until the members reach 65 years of age; however, the retirees pay the full premium associated with this coverage. For those employees retiring before September 1, 2004 the premiums are partially subsidized by the Board, as the retirees are in the same experience group as the active employees. All retirees on or after September 1, 2004 are not subsidized by the Board. The future liability of these benefits is unfunded.

##### *Other employee future benefits*

(i) *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 actuarially determined liabilities related to this plan based on management's best estimate are recorded in the Board's consolidated financial statements.

(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 financial statements. This benefit plan is fully funded.

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.



**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

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**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

(a) (continued)

(ii) *Long-term disability benefits (continued)*

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 carriers waive the life insurance premiums for employees on long-term disability; however, the Board and employee are responsible for the payment of the costs of health care benefits under this plan under the same cost-sharing arrangements to which the employee would be entitled as an active employee. Continuation of dental coverage is also available subject to the employee paying the full cost.

(iii) *Accumulating, non-vesting sick leave*

The Board provides accumulating, non-vesting sick day entitlements which may be used by the employee through paid time off. The benefit costs and liabilities related to the portion of the "sick days" accumulated to the fiscal year end and considered likely to be used by employees based on probabilities relating to usage, salary escalation and discount rates, are actuarially determined and are recorded in the Board's consolidated financial statements.

**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

(b) Retirement and other employee future benefits liabilities

	2007				2006
	Pension Benefits	Retirement Benefits	Other Benefits	Total	Total
<b>Accrued benefit obligation</b>					
Balance, beginning of year	\$ 18,570	\$ 264,708	\$ 250,796	\$ 534,074	\$ 525,881
Employer current service cost	-	18,350	19,993	38,343	34,185
Interest cost	861	12,703	8,843	22,407	20,244
Benefits paid	(1,992)	(19,981)	(25,231)	(47,204)	(54,484)
Actuarial losses (gains)	(1,077)	(8,038)	(5,329)	(14,444)	8,248
<b>Balance, end of year</b>	<b>\$ 16,362</b>	<b>\$ 267,742</b>	<b>\$ 249,072</b>	<b>\$ 533,176</b>	<b>\$ 534,074</b>
<b>Plan Assets</b>					
Fair value, beginning of year	\$ 9,248	\$ -	\$ 73,755	\$ 83,003	\$ 81,588
Actual return on plan assets	603	-	1,599	2,202	1,861
Employer contributions	947	29,881	25,811	56,639	54,319
Valuation allowance	(344)	-	-	(344)	(281)
Benefits paid	(1,992)	(29,881)	(25,231)	(57,104)	(54,484)
<b>Fair value, end of year</b>	<b>\$ 8,462</b>	<b>\$ -</b>	<b>\$ 75,934</b>	<b>\$ 84,396</b>	<b>\$ 83,003</b>
<b>Funded status</b>					
Plan deficit	\$ 7,900	\$ 257,842	\$ 173,138	\$ 438,880	\$ 451,071
Unamortized net actuarial loss	-	(11,152)	(6,668)	(17,820)	(33,950)
<b>Accrued benefit liability</b>	<b>\$ 7,900</b>	<b>\$ 246,690</b>	<b>\$ 166,470</b>	<b>\$ 421,060</b>	<b>\$ 417,121</b>

(c) Retirement and other employee future benefits expenses

	2007				2006
	Pension Benefits	Retirement Benefits	Other Benefits	Total	Total
Current service cost	\$ -	\$ 18,350	\$ 19,993	\$ 38,343	\$ 34,185
Interest cost	861	12,703	8,843	22,407	20,244
Expected return on plan assets	(603)	-	(1,599)	(2,202)	(1,861)
Amortization of net actuarial loss	(1,077)	3,466	(702)	1,687	1,710
Increase in valuation allowance	344	-	-	344	281
<b>Net benefit plan expense (recovery)</b>	<b>\$ (475)</b>	<b>\$ 34,519</b>	<b>\$ 26,535</b>	<b>\$ 60,579</b>	<b>\$ 54,559</b>

These amounts are included in the respective expenditure categories on the Consolidated Statement of Financial Activities and Fund Balance.

**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

**4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)**

(d) Actuarial assumptions

The accrued benefit obligations for the Long Term Disability and Workplace Safety and Insurance Board plans as at August 31, 2007 are based on the actuarial valuations for accounting purposes as at August 31, 2007. The accrued benefit obligations for retirement and other employee future benefit plans as at August 31, 2007 are based on actuarial valuations for accounting purposes as at August 31, 2006, except for the war veterans and North York pensions, which are based on actuarial valuations for accounting purposes as at August 31, 2004 and December 31, 2004, respectively. 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>2007</u>	<u>2006</u>
Estimated inflation		
Health	11.50%	11.50%
Dental	7.50%	7.50%
War veterans	2.50%	2.50%
North York pension	2.50%	2.50%
WSIB	2.50%	2.50%
LTDI	2.40%	2.50%
Wage and salary escalation	3.40%	3.75%
Discount on accrued benefit obligations		
Sick leave credit gratuity	4.75%	4.75%
Life, health and dental	4.75%	4.75%
War veterans	5.40%	4.90%
North York pension	5.40%	4.90%
WSIB	4.50%	4.50%
LTDI	4.55%	4.75%
Sick leave accumulation	4.75%	4.75%

(e) Multi Employer Pension Plans

(i) *Ontario Teachers' Pension Plan*

Teachers and related employee groups are eligible 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.

# TORONTO DISTRICT SCHOOL BOARD

## Notes to the Consolidated Financial Statements

August 31, 2007

(Tabular amounts in thousands of dollars)

#### 4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(e) Multi Employer Pension Plans (continued)

(ii) *Ontario Municipal Employees Retirement System*

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 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, 2007, the Board contributed \$26.9 million (2006 - \$24.9 million) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

(f) Funds held on deposit for current period costs

(i) *Health and dental funds on deposit*

The board has funds held on deposit with Legg Mason and Manulife to fund current liabilities for the health and dental plans of the Board in the amount of \$28.6 million (2006 - \$23.7 million). These funds primarily cover estimated current period claims yet to be submitted by employees.

(ii) *Group life funds on deposit*

The Board has funds held on deposit with Legg Mason and Great West Life to fund current liabilities for the group life insurance plans of the Board in the amount of \$9.1 million (2006 - \$9.4 million).

#### 5. NET LONG-TERM DEBT

(a) Net long-term debt reported in the Consolidated Statement of Financial Position is comprised of the following:

	<u>2007</u>	<u>2006</u>
5.071% Amortizing Debenture (note 5(b))	\$ 36,903	\$ 38,188
City of Toronto Debentures, net of sinking fund assets (note 5(c))	47,259	54,602
4.56% Ontario Financing Authority, GPL 1 (note 5(d))	106,565	-
City of Toronto Capital Loan (floating interest rate, principal payments of \$300 annually; maturing August 31, 2009)	600	900
<b>Balance as at August 31</b>	<b>\$ 191,327</b>	<b>\$ 93,690</b>

# TORONTO DISTRICT SCHOOL BOARD

## Notes to the Consolidated Financial Statements

August 31, 2007

(Tabular amounts in thousands of dollars)

### 5. NET LONG-TERM DEBT (continued)

- (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 5.071% and has a 20-year amortization with semi-annual interest and principal payments of \$1.6 million. The annual debt service of \$3.2 million will be funded from the annual Facility Renewal Grant.
- (c) City of Toronto Debentures in the amount of \$75.8 million maturing December 12, 2017, with an interest rate of 6.1%. Sinking fund assets in the amount of approximately \$28.6 million (2006 - \$71.8 million) have been set aside to retire the long-term City of Toronto debentures. The market value of sinking fund assets as at August 31, 2007 was \$29.7 million (2006 - \$72.1 million).
- (d) On November 15, 2006, the Board entered into a loan agreement with the Ontario Financing Authority to refinance \$107.7 million of the GPL Phase 1 outstanding at that time (see also Note 2). The loan is repayable by semi-annual installments of principal and interest of \$3.6 million based on a 25 year amortization schedule and bears interest of 4.56%. The annual principal and interest costs will be funded by the Ministry.
- (e) Principal and sinking fund payments relating to net long-term liabilities of \$191.3 million outstanding as at August 31, 2007 are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2008	\$ 6,381	\$ 11,347	\$ 17,728
2009	6,562	11,148	17,710
2010	6,453	10,941	17,394
2011	6,652	10,741	17,393
2012	6,862	10,532	17,394
Thereafter	136,390	84,603	220,993
<b>Net long-term debt</b>	<b>\$ 169,300</b>	<b>\$ 139,312</b>	<b>\$ 308,612</b>

In addition, debenture interest on sinking fund contributions estimated to amount to approximately \$22.0 million is expected to be earned during the remaining life of the City of Toronto debentures. This interest together with the sinking fund contributions will fund the total outstanding City of Toronto debentures principal of \$75.8 million.

**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

**6. RESERVES AND RESERVE FUNDS**

Internally restricted reserves and reserve funds set aside for specific purposes by the Board of Trustees as at August 31, 2007 are comprised of:

	<u>2007</u>	<u>2006</u>
Special education	\$ 1,675	\$ 1,675
School surplus	9,847	7,270
Site funded improvements	-	400
Working funds	-	12,703
	<u>\$ 11,522</u>	<u>\$ 22,048</u>

**7. AMOUNTS TO BE RECOVERED**

The amounts to be recovered in future years reported on the Consolidated Statement of Financial Position are comprised of:

	<u>2007</u>	<u>2006</u>
Net long-term debt (Note 5(a))	\$ 191,327	\$ 93,690
Retirement and other employee future benefits liability (Note 4b)	421,060	417,121
Accrued vacation pay	14,701	12,547
Interest accrual	2,823	3,021
	<u>\$ 629,911</u>	<u>\$ 526,379</u>

**TORONTO DISTRICT SCHOOL BOARD**  
**Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

**8. EXPENDITURES BY OBJECT**

The following is a summary of the expenditures reported on the Consolidated Statement of Financial Activities and Fund Balance by object:

	<u>2007</u>	<u>2006</u>
		(Restated - Note 14)
Current expenditures		
Salary and wages	\$ 1,776,967	\$ 1,727,621
Employee benefits	266,920	256,161
Staff development	3,051	7,933
Supplies and services	173,719	192,380
Replacement, furniture and equipment	9,848	16,199
Interest	13,288	11,074
Rental expenditures	14,056	14,142
Fees and contract services	82,109	78,422
Other	395	1,174
Capital expenditures	230,716	216,103
School activities expenditures	42,273	40,503
	<u>\$ 2,613,342</u>	<u>\$ 2,561,712</u>

**9. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)**

The Board participates for its liability, property and automobile insurance in the Ontario School Boards' Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act, that is funded by the member boards across Ontario. Liability insurance is available to a maximum of \$20 million per occurrence.

The ultimate premiums over a five year period are based on both 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 on January 2012.

**10. CONTRACTUAL OBLIGATIONS AND COMMITMENTS**

*Capital, facility renewals and renovations*

The Board's commitments for approved capital and facility renewal programs as of August 31, 2007 amounted to \$16.4 million.

*Other significant obligations*

The Board awarded contracts for student transportation, which expire August 31, 2012. The estimated annual commitment under these contracts is \$32.4 million.

The Board is committed to purchase utility commodities (natural gas and electricity) through supply contracts with various expiry dates; the latest contract expires on October 31, 2008. The estimated annual costs of these contracts are \$65.8 million.

# **TORONTO DISTRICT SCHOOL BOARD**

## **Notes to the Consolidated Financial Statements**

August 31, 2007

(Tabular amounts in thousands of dollars)

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### **11. CONTINGENT LIABILITIES**

The Board has been named as the defendant in certain legal actions, in which damages have been sought. Where the outcomes of these actions is not determinable as at August 31, 2007, no provision has been made in the financial statements. Any losses arising from these actions will be recorded in the year that the related litigation is settled or when any likely amounts are measurable.

The Board is currently appealing an order of the Pay Equity Commission at the Pay Equity Tribunal related to certain union groups concerning pay equity. Management has established a provisional amount, which has been recorded in the financial statements to address the possible outcome of this process.

### **12. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING**

On June 1, 2003, the Board received \$275.1 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 \$20.5 million (2006 - \$20.5 million) in grants in respect of the above agreement for the year ended August 31, 2007, is not recorded in these consolidated financial statements.

### **13. 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. The total levy amount in these joint trust accounts as at August 31, 2007 is \$27.5 million (August 31, 2006 - \$23.6 million). The Board's financial interest in these joint trust accounts has not been reflected in the Consolidated Statement of Financial Position, as the amounts are determined jointly and will be apportioned at the time the funds are required for school construction. These funds must be used for construction of school facilities in specific designated areas of the City of Toronto.

### **14. RESTATEMENT OF PRIOR YEAR'S FIGURES**

In the prior year, a posting error resulted in an overstatement of both revenues and expenditures related to contracted services. The effect on the prior year's comparative figures is a decrease in federal grants and fees revenues of \$7.9 million and an equal decrease in instruction expenditures of \$7.9 million. There was no effect on net expenditure.

Certain of the other prior year's figures (Note 8) have been reclassified to the basis of presentation adopted in the current year.