

Consolidated financial statements of

# **Toronto District School Board**

August 31, 2008

# Toronto District School Board

August 31, 2008

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## MANAGEMENT REPORT

To the Board of Trustees of  
The Toronto District School Board

### **Re: Management's Responsibility for the Financial Statements**

The accompanying financial statements of the Toronto District School Board are the responsibility of the Board management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, 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 financial statements. These systems are monitored and evaluated by management.

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

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

Gerry Connelly  
Director of Education

  
**Don Higgins**  
Executive Superintendent of  
Business Services

November 13, 2008

## 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, 2008 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, 2008 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*

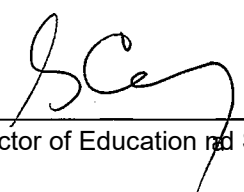
Chartered Accountants  
Licensed Public Accountants  
November 13, 2008

Toronto District School Board  
 Consolidated statement of financial position  
 as at August 31, 2008  
 (in thousands of dollars)

	<b>2008</b> <b>Actual</b>	2007 Actual
<b>Financial assets</b>		
Cash	33,99B	37,552
Due from City of Toronto	<b>85,636</b>	112,232
Accounts receivable	<b>19,980</b>	13,695
Mortgage receivable (Note 14)	<b>19,095</b>	
Funds on deposit (Note 4(f))	40 010	37 6
<b>Total financial assets</b>	<b>198,717</b>	201,147
<b>Financial liabilities</b>		
Short-term borrowing (Note 2)	<b>88,017</b>	64,258
Accounts payable and accrued liabilities	<b>161,965</b>	169,781
Due to Province of Ontario	19,175	34,314
Accrued vacation pay	<b>14,733</b>	14,701
Deferred revenue		
Reserve funds (Note 3)	<b>21,226</b>	5,1B3
Other	<b>39,912</b>	43,084
Employee future benefits payable (Note 4)	<b>432,669</b>	421,060
Net long term debt (Note S)	<b>288,250</b>	191,327
<b>Total liabilities</b>	1 065,947	943,708
Net financial liabilities	<b>(867,230)</b>	(742,561)
Non-financial asset - Prepaid expenses and supplies	8y249	363
<b>Net liabilities</b>	<b>(858;981)"</b>	(735,198)
<b>Financial position</b>		
Fund balances		
Operating Fund - Schedule 1	506	(98 1)
Capital Fund - Schedule 2	<b>(146,969)</b>	(13 1, 246)
Reserve Fund - Schedule 3 (Note 6)	11,526	11,522
School Generated Activity Fund - Schedule 4	15 871	15,418
<b>Total fund balances</b>	(119,066)	(105,287)
Amounts to be recovered in future years (Note 7)	<b>(739,915)</b>	(629911\$)
<b>Net financial position</b>	<b>(858,981)</b>	(735,198)

Commitments and contingencies (Notes 10 and 11)

Approved by the Board

  
 Director of Education and Secretary Treasurer

  
 Chair of the Board

# Toronto District School Board

Consolidated statement of financial activities and fund balance  
year ended August 31, 2008  
(in thousands of dollars)

	<b>Budget (Note 1(j))</b>	<b>2008 Actual</b>	2007 Actual
	\$ (unaudited)	\$	\$
<b>Revenues</b>			
Local taxation	<b>1,424,150</b>	<b>1,434,784</b>	1,423,527
Provincial grants			
Grants for Student Needs	<b>879,357</b>	<b>885,556</b>	834,161
Other	<b>26,976</b>	<b>41,080</b>	37,885
Federal grants and fees	<b>35,500</b>	<b>39,113</b>	33,133
Other fees and revenues	<b>69,339</b>	<b>90,846</b>	93,009
School fundraising	<b>40,000</b>	<b>44,092</b>	42,883
<b>Total revenues</b>	<b>2,475,322</b>	<b>2,535,471</b>	2,464,598
<b>Expenditures (Note 8)</b>			
Instruction	<b>2,032,001</b>	<b>2,019,606</b>	1,934,976
Administration	<b>90,122</b>	<b>86,815</b>	95,816
Transportation	<b>43,006</b>	<b>43,804</b>	42,428
School operations and maintenance	<b>284,294</b>	<b>272,603</b>	271,737
Pupil accommodation	<b>222,158</b>	<b>193,672</b>	226,112
School funded activities	<b>40,000</b>	<b>43,639</b>	42,273
<b>Total expenditures</b>	<b>2,711,580</b>	<b>2,660,139</b>	2,613,342
Net expenditure	<b>(236,258)</b>	<b>(124,668)</b>	(148,744)
Increase in non-financial assets			
- prepaid expenses	-	<b>886</b>	66
<b>Change in net liabilities</b>	<b>(236,258)</b>	<b>(123,782)</b>	(148,678)
Financing transactions			
Debt repayments - principal	<b>(7,346)</b>	<b>(6,318)</b>	(10,106)
Debt issue	-	<b>103,241</b>	107,741
Increase in unfunded liabilities	<b>55,533</b>	<b>13,080</b>	5,897
<b>Change in amounts to be recovered</b>	<b>48,187</b>	<b>110,003</b>	103,532
Change in fund balance	<b>(188,071)</b>	<b>(13,779)</b>	(45,146)
Fund balance, beginning of year	<b>14,808</b>	<b>(105,287)</b>	(60,141)
<b>Fund balance, end of year</b>	<b>(173,263)</b>	<b>(119,066)</b>	(105,287)

# Toronto District School Board

## Consolidated statement of changes in financial position year ended August 31, 2008

(in thousands of dollars)

	<b>2008</b>	2007
	<b>Actual</b>	Actual
	\$	\$
<b>Operating activities</b>		
Net expenditure	<b>(124,668)</b>	(148,744)
Sources and uses		
Decrease in due from City of Toronto	<b>26,596</b>	48,565
(Increase) decrease in accounts receivable	<b>(6,285)</b>	5,182
Decrease in accounts payable and accrued liabilities and accrued vacation pay	<b>(7,785)</b>	(5,931)
(Decrease) increase in due to Province of Ontario	<b>(15,139)</b>	20,786
Increase (decrease) in deferred revenues		
Reserves funds	<b>16,043</b>	(17,036)
Other	<b>(3,172)</b>	9,592
Increase in employee future benefits payable	<b>11,609</b>	3,939
	<b>(102,801)</b>	(83,647)
<b>Financing and investing activities</b>		
Increase in mortgage receivable - net	<b>(19,095)</b>	-
Funds on deposit	<b>(2,342)</b>	(4,588)
Short term borrowing - net	<b>23,759</b>	(32,742)
Debt repayments	<b>(6,318)</b>	(10,106)
Debt issue	<b>103,241</b>	107,741
	<b>99,245</b>	60,305
Net decrease in cash	<b>(3,556)</b>	(23,342)
Cash, beginning of year	<b>37,552</b>	60,894
<b>Cash, end of year</b>	<b>33,996</b>	37,552

# Toronto District School Board

Schedule of operating fund financial activities and  
 fund balance - Schedule 1  
 year ended August 31, 2008  
 (in thousands of dollars)

	Budget (Note 1(j)) \$ (unaudited)	2008 Actual \$	2007 Actual \$
<b>Revenues</b>			
Local taxation	1,424,150	1,434,784	1,423,527
Provincial grants			
Grants for Student Needs	879,357	885,556	834,161
Other	26,976	41,080	37,885
Federal grants and fees	35,500	39,113	33,133
Other fees and revenues	69,339	76,691	79,472
<b>Total revenues</b>	<b>2,435,322</b>	<b>2,477,224</b>	2,408,178
<b>Expenditures</b>			
Instruction	2,016,404	2,002,268	1,917,492
Administration	87,764	86,165	95,243
Transportation	43,001	43,804	42,428
School operations and maintenance	283,577	271,933	271,074
Pupil accommodation	19,343	17,416	14,116
<b>Total expenditures</b>	<b>2,450,089</b>	<b>2,421,586</b>	2,340,353
<b>Net revenue</b>	<b>(14,767)</b>	<b>55,638</b>	67,825
Increase in non-financial assets			
Prepaid expenses	-	886	66
Financing transactions			
Debt repayments - Principal	(7,346)	(6,318)	(10,106)
Increase in unfunded liabilities	55,533	13,080	5,897
<b>Change in amounts to be recovered</b>	<b>48,187</b>	<b>6,762</b>	(4,209)
Net transfers (to) other funds			
Transfers (to) Capital Fund	(58,865)	(61,795)	(75,189)
Transfers (to) from Reserve Funds	-	(4)	10,526
<b>Net transfers to other funds</b>	<b>(58,865)</b>	<b>(61,799)</b>	(64,663)
Change in operating fund balance	(25,445)	1,487	(981)
Operating fund balance, beginning of year	-	(981)	-
<b>Operating fund balance, end of year</b>	<b>(25,445)</b>	<b>506</b>	(981)



# Toronto District School Board

## Schedule of capital fund financial activities and fund balance - Schedule 2 year ended August 31, 2008

(in thousands of dollars)

	<b>Budget (Note 1(j))</b>	<b>2008 Actual</b>	2007 Actual
	\$	\$	\$
	<b>(unaudited)</b>		
<b>Revenues</b>			
Other revenues	-	<b>14,155</b>	13,537
<b>Expenditures</b>			
Instruction	<b>15,597</b>	<b>17,338</b>	17,484
Administration	<b>2,363</b>	<b>650</b>	573
School operations and maintenance	<b>716</b>	<b>670</b>	663
Pupil accommodation	<b>202,815</b>	<b>176,256</b>	211,996
Total expenditures	<b>221,491</b>	<b>194,914</b>	230,716
Net expenditure	<b>(221,491)</b>	<b>(180,759)</b>	(217,179)
Long term financing	-	<b>103,241</b>	107,741
Net transfers from Operating Fund	<b>58,865</b>	<b>61,795</b>	75,189
Change in capital fund balance	<b>(162,626)</b>	<b>(15,723)</b>	(34,249)
Capital fund balance, beginning of year	-	<b>(131,246)</b>	(96,997)
<b>Capital fund balance, end of year</b>	<b>(162,626)</b>	<b>(146,969)</b>	(131,246)

# Toronto District School Board

## Schedule of reserve fund financial activities and fund balance - Schedule 3 year ended August 31, 2008

(in thousands of dollars)

	<b>Budget (Note 1(j))</b>	<b>2008 Actual</b>	2007 Actual
	\$	\$	\$
	(unaudited)		
<b>Net transfers from (to)</b>			
Operating Fund	-	4	(10,526)
Change in reserve fund balance	-	4	(10,526)
Reserve fund balance, beginning of year	-	11,522	22,048
<b>Reserve fund balance, end of year</b>	-	<b>11,526</b>	11,522

# Toronto District School Board

## Schedule of school generated fund financial activities and fund balance - Schedule 4 year ended August 31, 2008 (in thousands of dollars)

	<b>Budget (Note 1(j))</b>	<b>2008 Actual</b>	2007 Actual
	\$ (unaudited)	\$	\$
<b>Revenues</b>			
School fundraising and other revenue	<b>40,000</b>	<b>44,092</b>	42,883
<b>Expenditures</b>			
School funded activities	<b>40,000</b>	<b>43,639</b>	42,273
Net income and change in school generated activity fund	-	<b>453</b>	610
School generated activity fund balance, beginning of year	<b>14,808</b>	<b>15,418</b>	14,808
<b>School generated activity fund balance, end of year</b>	<b>14,808</b>	<b>15,871</b>	15,418

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 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.

The Board established the Toronto Lands Corporation (TLC), 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 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 \$7.0 million (2007 - \$6.5 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 amortization 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, 2008

(Tabular amounts in thousands of dollars)

### 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, August 31, 2008. 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.

#### 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.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 1. Significant accounting policies (continued)

*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 2007-2008 to the Ministry of Education on August 2, 2007. 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.

The original approved budget reflected an operating deficit of \$25.4 million. There was in-year Ministry of Education grant improvements announced in August, 2007. The impact of these improvements was to reduce the budgeted operating deficit to approximately \$10.0 million.

*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.

### 2. Short-term borrowing

	<b>2008</b>	2007
	\$	\$
90 day Bankers Acceptances bearing interest at rates ranging from 3.25% to 3.47%, maturing at various dates to November 27, 2008	<b>88,017</b>	64,258

The Board has incurred short term borrowing at August 31, 2008 in the amount of \$88 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 \$370 million for major renewal projects for its school buildings. GPL phase 1 provided \$175 million, GPL phase 2 provided \$97million and GPL phase 3 is providing a further \$98 million. GPL funding was announced in 2005-2006, 2006-2007 and 2007-08 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) and (e)).

The Board has a \$50 million line of credit with a Canadian chartered bank for operating purposes. The amount outstanding as at August 31, 2008 was \$Nil (2007 - \$Nil).

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 3. Deferred revenue - reserve funds

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

	2008	2007
	\$	\$
Pupil accommodation - facilities renewal	1,967	5,000
Proceeds of disposition - North Toronto Collegiate Inst. (see note 14)	19,095	-
Assistance for student success	164	183
	<b>21,226</b>	<b>5,183</b>

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

	2008	2007
	\$	\$
Balance, beginning of year	5,183	22,219
Increase in deferred revenue	71,052	60,647
Interest earned	418	1,183
	<b>76,653</b>	<b>84,049</b>
Deferred revenue recognized	55,427	78,866
Balance, end of year	<b>21,226</b>	<b>5,183</b>

### 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, 2008. 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. This plan is in the process of being formally wound up.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 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.

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, 2008

(Tabular amounts in thousands of dollars)

### 4. Retirement and other employee future benefits (continued)

#### b) Retirement and other employee future benefits liabilities

				2008	2007
	Pension Benefits	Retirement Benefits	Other Benefits	Total	Total
	\$	\$	\$	\$	\$
<b>Accrued benefit Obligation</b>					
Balance, beginning of year	16,363	257,842	249,071	523,276	534,074
Employer current service cost	-	18,451	25,338	43,789	38,343
Interest cost	832	12,567	8,726	22,125	22,407
Benefit paid	(1,928)	(21,630)	(25,452)	(49,010)	(57,104)
Actuarial losses (gain)	181	(1,794)	(7,319)	(8,932)	(14,444)
Balance, end of year	15,448	265,436	250,364	531,248	523,276
<b>Plan Assets</b>					
Fair value, beginning of year	8,463	-	75,933	84,396	83,003
Actual return on plan assets	474	-	6,109	6,583	2,202
Employer contributions	896	21,630	26,475	49,001	56,639
Increase in valuation allowance	(25)	-	-	(25)	(344)
Benefits paid	(1,928)	(21,630)	(25,452)	(49,010)	(57,104)
Fair value, end of year	7,880	-	83,065	90,945	84,396
<b>Funded Status</b>					
Plan deficit	7,567	265,436	167,299	440,302	438,880
Unamortized net actuarial loss	-	(7,315)	(318)	(7,633)	(17,820)
Accrued benefit liability	7,567	258,121	166,981	432,669	421,060

#### c) Retirement and other employee future benefits expenses

				2008	2007
	Pension Benefits	Retirement Benefits	Other Benefits	Total	Total
	\$	\$	\$	\$	\$
Current service costs	-	18,451	25,338	43,789	38,343
Interest costs	832	12,568	8,726	22,126	22,407
Expected return on plan assets	(474)	-	(6,109)	(6,583)	(2,202)
Amortization of net actuarial loss	181	2,042	(968)	1,255	1,687
Increase in valuation allowance	25	-	-	25	344
Net benefit plan expense	564	33,061	26,987	60,612	60,579

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, 2008

(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, 2008 are based on the actuarial valuations for accounting purposes as at August 31, 2008. The accrued benefit obligations for retirement and other employee future benefit plans as at August 31, 2008 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, 2007 and December 31, 2006, 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:

	<b>2008</b>	2007
Estimated inflation		
Health	<b>11.00%</b>	11.50%
Dental	<b>7.00%</b>	7.50%
War veterans	<b>2.50%</b>	2.50%
North York pension	<b>2.50%</b>	2.50%
WSIB	<b>2.50%</b>	2.50%
LTDI	<b>2.40%</b>	2.40%
Wage and salary escalation	<b>3.40%</b>	3.40%
Discount on accrued benefit obligations		
Sick leave credit gratuity	<b>4.75%</b>	4.75%
Life, health and dental	<b>4.75%</b>	4.75%
War veterans	<b>4.75%</b>	5.40%
North York pension	<b>4.75%</b>	5.40%
WSIB	<b>4.50%</b>	4.50%
LTDI	<b>4.40%</b>	4.55%
Sick leave accumulation	<b>4.75%</b>	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, 2008

(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, 2008, the Board contributed \$ 28.1 million (2007 - \$26.9 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 \$ 31.5 million (2007 - \$28.6 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 \$ 8.5 million (2007 - \$9.1 million).

### 5. Net long-term debt

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

	<b>2008</b>	2007
	\$	\$
5.071% Amortizing Debenture (Note 5(b))	<b>35,551</b>	36,903
City of Toronto Debentures, net of sinking fund assets (Note 5(c))	<b>45,028</b>	47,259
4.56% Ontario Financing Authority, GPL Phase 1 (Note 5(d))	<b>104,130</b>	106,565
4.90% Ontario Financing Authority, GPL Phase 2 (Note 5(e))	<b>103,241</b>	-
City of Toronto Capital Loan (floating interest rate, principal payments of \$300 annually; maturing August 31, 2009)	<b>300</b>	600
<b>Balance as at August 31</b>	<b>288,250</b>	191,327

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.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 5. Net long-term debt (continued)

- 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 \$30.8 million (2007 - \$28.6 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, 2008 was \$31.6 million (2007 - \$29.7 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 of Education.
- e) On March 3, 2008, the Board entered into a loan agreement with the Ontario Financing Authority to refinance \$103.2 million of the GPL Phase 2 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 4.90%. The annual principal and interest costs will be funded by the Ministry of Education.
- f) Principal and sinking fund payments relating to net long-term liabilities of \$288.3 million outstanding as at August 31, 2008 are due as follows:

	Principal and sinking fund contributions	Interest	Total
	\$	\$	\$
2009	8,768	16,180	24,948
2010	8,768	15,864	24,632
2011	9,083	15,549	24,632
2012	9,413	15,219	24,632
2013	9,758	14,873	24,631
Thereafter	220,370	126,504	346,874
<b>Net long-term debt</b>	<b>266,160</b>	<b>204,189</b>	<b>470,349</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.

### 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, 2008 are comprised of:

	2008	2007
	\$	\$
Special education	<b>1,822</b>	1,675
School surplus	<b>9,330</b>	9,847
Site funded improvements	<b>374</b>	-
	<b>11,526</b>	11,522

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 7. Amounts to be recovered

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

	<b>2008</b>	2007
	\$	\$
Net long-term debt (Note 5(a))	<b>288,250</b>	191,327
Retirement and other employee future benefit liabilities (Note 4b)	<b>432,669</b>	421,060
Accrued vacation pay	<b>14,733</b>	14,701
Interest accrual	<b>4,263</b>	2,823
	<b>739,915</b>	629,911

### 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:

	<b>2008</b>	2007
	\$	\$
Current expenditures		
Salary and wages	<b>1,848,263</b>	1,776,967
Employee benefits	<b>274,931</b>	266,920
Staff development	<b>3,953</b>	3,051
Supplies and services	<b>171,415</b>	173,719
Replacement, furniture and equipment	<b>4,057</b>	9,848
Interest	<b>17,401</b>	13,288
Rental expenditures	<b>16,782</b>	14,056
Fees and contract services	<b>81,838</b>	82,109
Other	<b>2,946</b>	395
Capital expenditures	<b>194,914</b>	230,716
School activities expenditures	<b>43,639</b>	42,273
	<b>2,660,139</b>	2,613,342

### 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 in January 2012.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 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, 2008 amounted to \$55.8 million (2007 - \$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 \$35.9 million.

The Board is committed to purchase natural gas through supply contracts with various expiry dates; the latest contract expires on October 31, 2010. The estimated annual costs of these contracts are \$23.1 million.

### 11. Contingent liabilities

#### *Legal claims*

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, 2008, 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.

#### *Pay equity*

Subsequent to the year end, the Board reached a settlement with Canadian Union of Public Employees relating to a pay equity order of the Pay Equity Commission. The amount of this settlement was \$12.7 million. In previous years the Board had set up a provision for this settlement in the amount of \$12 million. A further provision of approximately \$0.7 million was recorded in the current year's financial statements.

The Board is continuing to negotiate several pay equity issues with union employee groups. An estimate of the total of these issues is not determinable at this time. Management will record any future pay equity settlements in the year in which the claim is settled or the amount is determined to be likely and the liability is measurable.

### 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 (2007 - \$20.5 million) in grants in respect of the above agreement for the year ended August 31, 2008, is not recorded in these consolidated financial statements.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 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, 2008 is \$28.9 million (August 31, 2007 - \$27.5 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. Mortgage receivable

During the year the Board sold a parcel of land attached to the North Toronto Collegiate Institute School (NTCI) for \$22.3 million to a developer for the purposes of building a multi-use site. The board agreed to take back a first mortgage in the amount of \$19.8 million on the development to secure the balance of the purchase price after deposits and adjustments were taken into account. The mortgage is an open mortgage and can be paid back at any time without notice or bonus. Credits are applied to the mortgage as construction of the new NTCI School is completed. The mortgage interest is calculated on funds outstanding after deducting the first \$1.5 million of the mortgage, at the end of each quarter. The interest rate to be used for the first two years after closing is the same interest rate payable from time to time on the ninety day Government of Canada Treasury bills per annum. After the first two years the interest is 4.5% per annum.

The site plan is to develop two high rise residential buildings and construct a new high school building on the site. The contract to build the new school building including the demolition of the old school building is estimated to be \$50 million.

### 15. Tangible capital assets

For fiscal years beginning on or after January 1, 2009 the Board will be required to report the historical cost and the accumulated amortization of tangible capital assets in its financial statements in accordance with The Public Sector Accounting Handbook PS3150 – Tangible Capital Assets. As required by the Ministry of Education, the Board will fully implement this standard beginning with the August 31, 2009 fiscal year.

For 2008, Public Sector Guideline 7 requires the disclosure of tangible capital asset information in the notes to the financial statements to the extent that reliable information is available. The Board currently does not have detailed information related to furniture, equipment, computer hardware, computer software and vehicles to disclose. Information related to land and buildings summarized below has been obtained from the Ministry of Education. As these amounts were used for purposes of the provincial consolidation, the amounts reported are as of March 31, 2008 which is the Province of Ontario's fiscal year-end.

Once the new standard is adopted, tangible capital assets will be recorded at historical cost. Historical cost 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. Estimated historical cost was used to record existing tangible capital assets, if the actual cost was unknown when the board first started to prepare for implementation of tangible capital asset accounting.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2008

(Tabular amounts in thousands of dollars)

### 15. Tangible capital assets (continued)

Amortization is reflected on a straight-line basis over the estimated useful life of the assets at the following amortization rates:

Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years

This information will be subject to audit during the year that PS3150 is fully implemented for purposes of the school board's financial statements.

Unaudited									
				Cost (in 000's)	Accumulated amortization (in 000's)			Net book value March 31, 2008	
Balance at March 31, 2007	Additions and (Transfers)	Disposals	Balance at March 31, 2008	Balance at March 31, 2007	Amortization	Disposals, Write offs and Adjustments	Balance at March 31, 2008	\$	\$
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	64,817	1,080	-	65,897	-	-	-	-	65,897
Land improvement	13,949	6,834	-	20,782	831	1,197	(1)	2,027	18,755
Buildings	2,107,862	122,851	(35)	2,230,677	639,002	59,492	(3)	698,491	1,532,186
Portable structures	33,123	8,784	(1,061)	40,846	25,156	1,878	(1,061)	25,973	14,872
Construction in Progress	6,229	(3,647)	-	2,582	-	-	-	-	2,582
Pre acquisition and construction cost	452	(452)	-	-	-	-	-	-	-
<b>2,226,431</b>	<b>135,450</b>	<b>(1,096)</b>	<b>2,360,784</b>	<b>664,989</b>	<b>62,567</b>	<b>(1,065)</b>	<b>726,491</b>	<b>1,634,293</b>	