

Consolidated financial statements of

Toronto District School Board

August 31, 2010

Toronto District School Board

August 31, 2010

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November 22, 2010

MANAGEMENT REPORT

To the Board of Trustees of
The Toronto District School Board

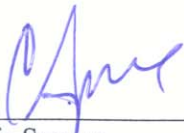
Re: Management's Responsibility for the Financial Statements

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.

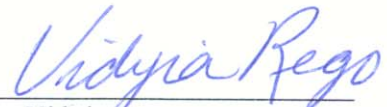
Board management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis 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.



Dr. Chris Spence
Director of Education



Vidya Rego
Chief Financial Officer

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, 2010 and the consolidated statements of operations, change in net debt and cash flows 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, annual surplus, financial assets and accumulated surplus.

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, 2010 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
November 22, 2010

Toronto District School Board

Consolidated statement of financial position

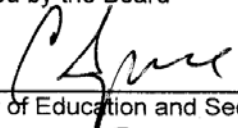
as at August 31, 2010

(in thousands of dollars)

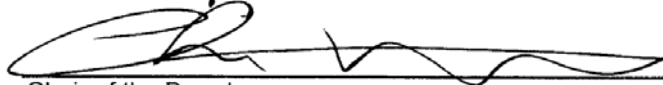
	2010 Actual	2009 (Restated- Note 2)
	\$	\$
Financial assets		
Cash	68,433	65,775
Due from City of Toronto	63,281	64,735
Accounts receivable	33,835	34,752
Accounts receivable - Province of Ontario (Note 16)	405,732	-
Mortgage and note receivable (Note 14)	7,235	1,524
Funds on deposit (Note 5(f))	127,903	122,880
Properties held for sale (Note 17)	7,201	16,750
Total financial assets	713,620	306,416
Financial liabilities		
Short-term borrowing (Note 3)	53,368	64,915
Accounts payable and accrued liabilities	151,962	153,962
Due to Province of Ontario	12,656	28,661
Accrued vacation pay	18,173	17,260
Deferred revenue (Note 4)	40,019	40,461
Employee future benefits payable (Note 5)	542,121	531,626
Net long term debt (Note 6)	406,979	365,531
Total liabilities	1,225,278	1,202,416
Net debt	(511,658)	(896,000)
Non-financial assets		
Tangible capital assets (Note 15)	1,785,364	1,752,573
Prepaid expenses and supplies	11,901	8,150
Total non-financial assets	1,797,265	1,760,723
Accumulated surplus (Note 7)	1,285,607	864,723

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 operations

year ended August 31, 2010

(in thousands of dollars)

	Budget (Note 18) (unaudited)	2010 Actual	2009 (Restated- Note 2)
	\$	\$	\$
Revenues			
Local taxation	1,436,828	1,464,350	1,454,833
Provincial grants			
Grants for student needs	1,001,876	1,007,612	947,356
Capital wrap up grant (Note 16)	-	405,732	-
Other	33,533	98,573	51,865
Federal grants and fees	-	26,404	45,126
Other fees and revenues	103,255	98,974	108,100
School fundraising	40,000	45,157	44,022
Gain on disposal of properties held for sale (Note 17)	30,411	51,993	24,074
Total revenues	2,645,903	3,198,795	2,675,376
Expenses (Note 8)			
Instruction	2,127,537	2,169,235	2,102,291
Administration	91,633	92,253	93,200
Transportation	47,536	48,132	46,683
School operations and maintenance	279,316	277,138	279,590
Pupil accommodation	111,731	146,783	139,468
School funded activities	40,000	44,370	43,160
Total expenses	2,697,753	2,777,911	2,704,392
Annual surplus (deficit)	(51,850)	420,884	(29,016)
Accumulated surplus, beginning of year	737,133	864,723	893,739
Accumulated surplus, end of year	685,283	1,285,607	864,723

Toronto District School Board
 Consolidated statement of change in net debt
 year ended August 31, 2010
 (in thousands of dollars)

	2010	2009
	Actual	(Note 2)
	\$	\$
Annual surplus (deficit)	420,884	(29,016)
Acquisition of tangible capital assets	(127,656)	(130,917)
Amortization of tangible capital assets	90,758	86,656
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 17)	4,107	4,986
	388,093	(68,291)
Acquisition of inventories of supplies	(652)	(580)
Acquisition of prepaid expenses	(3,263)	(581)
Consumption of inventories of supplies	152	700
Use of prepaid expenses	12	560
Change in net debt	384,342	(68,192)
Net debt at beginning of year	(896,000)	(827,808)
Net debt at end of year	(511,658)	(896,000)

Toronto District School Board

Consolidated statement of cash flows

year ended August 31, 2010

(in thousands of dollars)

	2010 Actual	2009 (Restated- Note 2)
	\$	\$
Operating activities		
Annual surplus (deficit)	420,884	(29,016)
Items not involving cash		
Amortization	90,758	86,656
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 17)	4,107	4,986
Change in non-cash assets and liabilities		
Decrease in due from City of Toronto	1,454	20,901
Decrease (increase) in accounts receivable	917	(14,772)
Increase in accounts receivable - Province of Ontario	(405,732)	-
(Increase) decrease in prepaid expenses and supplies	(3,751)	99
Decrease (increase) in properties for sale	9,549	(89)
(Decrease) increase in accounts payable and accrued liabilities and accrued vacation pay	(1,087)	6,455
(Decrease) increase in due to Province of Ontario	(16,005)	9,486
(Decrease) in deferred revenues	(442)	(8,897)
Increase in employee future benefits payable	10,495	16,877
Net change in cash from operating activities	111,147	92,686
Capital activity		
Acquisition of tangible capital assets	(127,656)	(130,917)
Net change in cash from capital activities	(127,656)	(130,917)
Investing activities		
Issuance of mortgage/note	(7,235)	-
Collection of mortgage	1,524	17,571
Increase in funds on deposit	(5,023)	(1,732)
Net change in cash from investing activities	(10,734)	15,839
Financing activities		
Short term borrowing - net	(11,547)	(23,102)
Debt repayments	(12,378)	(10,829)
Debt issue	53,826	88,102
Net change in cash from financing activities	29,901	54,171
Net increase in cash	2,658	31,780
Cash, beginning of year	65,775	33,996
Cash, end of year	68,433	65,775

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(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 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, 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.

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.

All inter-departmental 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 \$7.5 million (2009 - \$7.2 million) are not included in the consolidated financial statements.

c) *Basis of accounting*

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

e) *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, 2010. 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, 2010

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

f) *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.

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

<u>Asset class</u>	<u>Estimated useful life</u>
Buildings	40 years
Other buildings	20 years
Land improvements	15 years
Portable structures	20 years
First time equipping	15 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Leasehold improvement	Over the lease term

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

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and net realizable value. These assets are recorded as "properties held for sale" on the Consolidated Statement of Financial Position.

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

g) *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.

h) *Investment income*

Investment income is 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.

i) *Long term debt*

Long term debt includes debentures and Ontario financing Authority (OFA) loans which were arranged for financing Board's capital projects or high priority renewal projects. Those long term debts are recorded net of related sinking fund balances. The principal payments and interest expense on these long term loans are paid semi-annually and recorded to the consolidated financial statements as they are incurred during the year.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

j) 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 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 of doubtful accounts receivable, accrued liabilities, employee future benefits, and tangible capital assets. Actual results could differ from these estimates.

2. Change in accounting policies

The Board has implemented Public Sector Accounting Handbook sections 1200 Financial Statement Presentation and 3150 Tangible Capital Assets. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. 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.

When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The estimated cost for land and buildings as well as the estimated remaining service life for buildings and land improvements were initially determined by the Ministry of Education using an estimation methodology called the Book Value Calculator, using historical information provided by the Board. Other assets classes are recorded as historical cost where adequate information was available. If adequate information was not available, an alternative method was used to estimate a reasonable cost.

The following methods were used to establish opening balances for the asset classes noted below:

Asset class	Pre-1965	1965 to March, 2005
Building	Benchmark estimate	Appraiser estimate
Land	At nominal value	Appraiser estimate
Equipment 15 years	N/A	Deflated replacement cost by CPI

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

	\$
Accumulated surplus at August 31, 2009:	
Operating fund balance	9,237
Capital fund balance	(122,858)
Reserve fund balance	112,173
School generated activity fund balance	16,733
Amounts to be recovered in future years	(919,885)
Accumulated surplus, as previously reported	(904,600)
Net book value of tangible capital assets recorded	1,752,573
Properties held for sale	16,750
Accumulated surplus, as restated	864,723

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

2. Change in accounting policies (continued)

	\$
Annual deficit for the year ended August 31, 2009:	
Net expenditure, as previously reported	(68,281)
Plus: Capital Expenditure capitalized, previously expensed	130,917
Plus: Additions to inventory held for resale previously expensed	89
Less: Amortization expense not previously recorded	(86,656)
Plus: Gain on disposal of properties held for sale	24,074
Less: Proceeds of disposition of capital assets previously recorded as revenue	(29,060)
Plus: Change in prepaid expenses and supplies, previously expensed	(99)
Annual deficit, as restated	(29,016)

3. Short-term borrowing

	2010	2009
	\$	\$
91 day Bankers Acceptances bearing interest at 1.32%, maturing at October 14, 2010.	34,368	62,915
City of Toronto Capital Loan (floating interest rate, entire principal payment due on maturity date of November 30, 2010)	19,000	2,000
Total	53,368	64,915

The Board has incurred short term borrowing at August 31, 2010 in the amount of \$53.4 million, to provide interim financing for the Good Places to Learn (GPL) initiative of the Ministry of Education ("the Ministry"). The GPL initiative has provided the Board with approximately \$413.5 million for major renewal projects for its school buildings. GPL phase 1 provided \$175.5 million, GPL phase 2 provided \$97.2 million, GPL phase 3 provided \$98.4 million and GPL phase 4 provided a further \$42.4 million. GPL funding was announced in 2005-2006, 2006-2007, 2007-2008 and 2008-2009 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 6 (d), (e), (f) and (g)).

The Board has a \$50 million line of credit with a Canadian chartered bank for operating purposes. The amount outstanding as at August 31, 2010 was \$Nil (2009 - \$Nil).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

4. Deferred revenue

- a) Deferred revenue as at August 31 is comprised of the following:

Deferred revenue externally restricted for specific purposes by legislation, regulation or agreement.

	2010	2009
	\$	\$
Gain on dispositions	-	1,524
Deferred revenue - other		
Tuition fees	11,611	11,622
Contracted programs	6,355	9,437
Deferred Grants	14,133	11,712
Provincial Discussion Table	1,780	3,439
Pool Grant	3,453	-
Other	2,687	2,727
Total	40,019	40,461

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

	2010	2009
	\$	\$
Balance, beginning of year	40,461	61,138
Increase in deferred revenue	31,033	7,283
Interest earned	22	73
	71,516	68,494
Deferred revenue recognized	31,497	28,033
Balance, end of year	40,019	40,461

5. 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, 2010. 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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

a) *continued*

Pension benefits (continued)

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.

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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

a) *continued*

Other employee future 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 financial statements. The Board has internally restricted fund assets 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.

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, 2010

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

b) Retirement and other employee future benefits liabilities

				2010	2009
	Pension benefits	Retirement benefits	Other benefits	Total	Total
	\$	\$	\$	\$	\$
Accrued benefit obligation					
Balance, beginning of year	14,144	284,539	258,143	556,826	531,248
Employer current service cost	-	17,843	11,606	29,449	35,642
Interest cost	632	13,365	9,319	23,316	22,500
Benefit paid	(1,697)	(24,335)	(29,558)	(55,590)	(50,935)
Actuarial losses (gains)	(752)	12,189	14,887	26,324	18,373
Balance, end of year	12,327	303,601	264,397	580,325	556,828
Plan assets					
Fair value, beginning of year	7,077	-	-	7,077	7,880
Actual return on plan assets	859	-	-	859	(208)
Employer contributions	808	24,335	29,558	54,701	49,988
Valuation allowance	(838)	-	-	(838)	353
Benefits paid	(1,697)	(24,335)	(29,558)	(55,590)	(50,935)
Fair value, end of year	6,209	-	-	6,209	7,078
Funded status					
Plan deficit	6,118	303,602	264,397	574,117	549,750
Unamortized net actuarial loss	-	(24,435)	(7,561)	(31,996)	(18,124)
Accrued benefit liability	6,118	279,167	256,836	542,121	531,626

c) Retirement and other employee future benefits expenses

				2010	2009
	Pension benefits	Retirement benefits	Other benefits	Total	Total
	\$	\$	\$	\$	\$
Current service costs	-	17,393	11,397	28,790	35,642
Interest costs	632	13,365	9,320	23,317	22,500
Expected return on plan assets	(507)	-	-	(507)	208
Amortization of net actuarial loss	(1,105)	2,639	11,224	12,758	8,868
Increase (decrease) in valuation allowance	838	-	-	838	(352)
Balance, end of year	(142)	33,397	31,941	65,196	66,866

These amounts are included in the respective expense categories on the Consolidated Statement of Operations.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

d) Actuarial assumptions

The accrued benefit obligations for the Long Term Disability and War Veterans plans as at August 31, 2010 are based on actuarial valuations for accounting purposes as at August 31, 2010. The accrued benefit obligations for the Workplace Safety and Insurance Board plan, retirement and other employee future benefit plans as at August 31, 2010 are based on the actuarial valuations for accounting purposes as at August 31, 2009, except for the North York pensions, which is based on actuarial valuations for accounting purposes as at December 31, 2006. 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:

	2010	2009
	%	%
Estimated inflation		
Heath	9.00	9.00
Dental	6.00	6.00
War veterans	2.50	2.40
North York pension	2.20	2.40
WSIB (COLA)	1.00	1.00
LTDI (COLA)	1.00	1.00
Wages and salary calculation	3.00	3.00
Discount on accrued benefit obligations		
Sick leave credit gratuity	4.75	4.75
Life, health and dental	4.75	4.75
War veterans	4.75	4.75
North York pension	4.75	4.75
WSIB	4.75	4.75
LTDI	4.75	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.

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, 2010, the Board contributed \$30.8 million (2009 - \$29.0 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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

5. Retirement and other employee future benefits (continued)

f) Funds held on deposit for employee benefit plans

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 \$32.6 million (2009 - \$33.1 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 \$7.6 million (2009 - \$7.1 million).

iii) *Long term disability funds on deposit*

The Board has funds held on deposit with Legg Mason and CIBC to fund long term disability plan of the Board in the amount of \$87.7 million (2009 - \$82.7 million). These funds primarily cover the actuarially determined liabilities of the Plan and cover reduced Board premiums otherwise required by the Plan.

6. Net long-term debt

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

				2010	2009
		Interest rate	Maturity date		
		%		\$	\$
Critical Renewal Debenture	Note 6(b)	5.07100	December 17, 2024	32,637	34,130
Sinking Fund (City of Toronto)	Note 6(c)	6.10000	December 12, 2017	75,846	75,846
Less: Sinking Fund Assets	Note 6(c)			(39,232)	(35,164)
Ontario Financing Authority,	Note 6(d)	4.56000	November 15, 2031	98,917	101,582
Ontario Financing Authority	Note 6(e)	4.90000	March 3, 2033	98,720	101,035
Ontario Financing Authority	Note 6(f)	5.01000	March 13, 2034	86,265	88,102
Ontario Financing Authority	Note 6(g)	5.23200	April 13, 2035	53,826	-
Balance as at August 31				406,979	365,531

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 is funded from the annual Facility Renewal Grant.

c) City of Toronto Debenture 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 \$39.2 million (2009 - \$35.2 million) have been set aside to retire the long-term City of Toronto debenture. The market value of sinking fund assets as at August 31, 2010 was \$41.6 million (2009 - \$37.6 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 3). 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 are funded by the Ministry of Education.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

6. Net long-term debt (continued)

- 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 3). 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 are funded by the Ministry of Education.
- f) On March 13, 2009, the Board entered into a loan agreement with the Ontario Financing Authority to refinance \$88.1 million of the GPL Phase 3 outstanding at that time (see also Note 3). The loan is repayable by semi-annual installments of principal and interest of \$3.1 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.
- g) On April 14, 2010, the Board entered into a loan agreement with the Ontario Financing Authority to refinance \$53.8 million of the GPL Phase 4 outstanding at that time (see also Note 3). The loan is repayable by semi-annual installments of principal and interest of \$1.9 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.
- h) Principal and sinking fund payments relating to net long-term liabilities of \$406.9 million outstanding as at August 31, 2010 are due as follows:

	Principal and sinking fund contributions	Interest	Total
	\$	\$	\$
2010	12,102	22,694	34,796
2011	12,589	22,207	34,796
2012	13,100	21,696	34,796
2013	13,636	21,160	34,796
2014	14,198	20,598	34,796
Thereafter	323,090	170,063	493,153
	<u>388,715</u>	<u>278,418</u>	<u>667,133</u>

In addition, debenture interest on sinking fund contributions estimated to amount to approximately \$18.2 million is expected to be earned during the remaining life of the City of Toronto debenture. This interest together with the sinking fund contributions will fund the total outstanding City of Toronto debenture principal of \$75.8 million.

- i) Interest on long-term debt amounted to \$20.9 million (2009 - \$17.9 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

7. Accumulated surplus

Accumulated surplus consists of the following:

	2010	2009
	\$	Restated \$
Accumulated surplus:		
Invested in tangible capital assets and inventory held for resale	1,791,319	1,403,792
Capital funds	(94,419)	(122,858)
School generated funds	17,519	16,732
Employee future benefits	(542,121)	(531,626)
Accrued vacation pay	(18,174)	(17,260)
Interest accrual	(6,167)	(5,468)
Working funds	21,978	9,237
Reserves and reserve funds	115,672	112,173
Total accumulated surplus	1,285,607	864,723

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

Special education	675	1,675
Employee benefit plans	103,830	101,800
School support	8,584	7,610
Other	2,583	1,088
Total reserves and reserve funds	115,672	112,173

8. Expenses by object

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

	2010	2009
	\$	Restated \$
Expenses		
Salary and wages	1,993,351	1,933,219
Employee benefits	294,535	289,856
Staff development	2,468	3,474
Supplies and services	191,821	178,403
Interest	21,399	18,964
Rental expenses	15,321	15,822
Fees and contract services	84,492	84,293
Other	39,395	50,545
Amortization of tangible capital assets	90,758	86,656
School activities expenditures	44,370	43,160
Total	2,777,911	2,704,393

Toronto District School Board

Notes to the consolidated financial statements

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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 \$24 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.

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, 2010 amounted to \$21.1 million (2009 - \$42.5 million).

Other significant obligations

The Board awarded contracts for student transportation, which expire August 31, 2012. The estimated annual commitment under these contracts is \$41.5 million (2009 - \$38.5 million).

The Board is committed to purchase natural gas through supply contracts with various expiry dates; the latest contract expires on August 31, 2011. The estimated annual costs of these contracts are \$17.4 million (2009 - \$20.4 million).

The Board is committed to a Wide Area Network contract which expires December 2020. The estimated annual commitment under this contract is \$3.8 million (2009 - \$3.8 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, 2010, 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

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 (2009 - \$20.5 million) in grants in respect of the above agreement for the year ended August 31, 2010, is not recorded in these consolidated financial statements.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(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, 2010 is \$36.9 million (2009 - \$31.4 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 and notes receivable

	2010	2009
	\$	\$
Mortgage relating to the sale of TDSB's 50% ownership of Harold R Lawson School, due December 8, 2010, interest only payable monthly at the CIBC prime rate in effect on the first business day of the month.	2,835	-
Promissory note receivable resulting from the termination by TDSB of a land lease and the resulting transfer of the building to the lessor for a sum of \$9.4 million settled with \$5 million in cash and \$4.4 million by way of a promissory note due on or before June 30, 2011 with interest calculated monthly at 7% per annum and payable on the date of payment of the principal.	4,400	-
Open mortgage, entered into in fiscal 2008, relating to land attached to North Toronto Collegiate Institute School (NTCI), credits applied to the mortgage as construction of the new NTCI school is completed. Interest calculated on outstanding amount after deducting the first \$1.5 million of the mortgage, at the end of each quarter based on the interest rate payable on ninety day Government of Canada Treasury bills for the first two years and 4.5% per annum thereafter.	-	1,524
	<u>7,235</u>	<u>1,524</u>

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

15. Tangible capital assets

a) Opening and closing balances with activities for the year ended August 31, 2010

	Cost					Accumulated amortization					Net book value	
	Balance at September 1, 2009	Additions	Transfers to/from CIP	Transfers to properties held for sale	Disposal	Balance at August 31, 2010	Balance at September 1, 2009	Amortization	Transfers to properties held for sale	Disposals, write-offs, adjustments	Balance at August 31, 2010	Balance at August 31, 2010
	\$	\$			\$	\$	\$	\$		\$	\$	
Land	69,800	1,790	-	464	-	72,054	-	-	-	-	-	72,054
Land improvements	37,240	7,523	-	27	-	44,790	5,231	2,995	-	-	8,226	36,564
Buildings (40 Years)	2,334,016	71,426	60,713	(5,524)	-	2,460,631	782,167	68,266	(926)	-	849,507	1,611,124
Portable structures	43,766	3,369	-	-	(2,463)	44,672	26,750	2,219	-	(2,463)	26,506	18,166
Construction in Progress (CIP)	29,463	32,439	(60,713)	-	-	1,189	-	-	-	-	-	1,189
Equipment (5 Years)	159	3,532	-	-	(75)	3,616	103	94	-	(75)	122	3,494
Equipment (10 Years)	4,842	242	-	-	(198)	4,886	2,448	485	-	(198)	2,735	2,151
Equipment (15 Years)	2,460	-	-	-	-	2,460	1,049	162	-	-	1,211	1,249
First time equipping (10 Years)	1,432	1,055	-	-	-	2,487	208	152	-	-	360	2,127
Furniture	1,138	157	-	-	(93)	1,202	472	123	-	(93)	502	700
Computer hardware	41,887	4,713	-	-	(8,680)	37,925	20,143	8,225	-	(8,680)	19,688	18,237
Computer software	36,109	516	-	-	(250)	36,375	13,394	7,236	-	(250)	20,380	15,995
Vehicles (< 10,000 pounds)	356	676	-	-	-	1,032	215	245	-	-	460	572
Vehicles (> 10,000 pounds)	3,621	72	-	-	-	3,693	2,076	416	-	-	2,492	1,201
Leasehold improvement - Building	648	141	-	-	-	789	123	139	-	-	262	527
Leasehold improvement - Land	16	-	-	-	-	16	1	1	-	-	2	14
Total	2,606,953	127,656	-	(5,033)	(11,759)	2,717,817	854,380	90,758	(926)	(11,759)	932,453	1,785,364

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

15. Tangible capital assets (continued)

b) Opening and closing balances with activities for the year ended August 31, 2009

	Cost					Accumulated amortization					Net book value	
	Balance at	Additions	Transfer to/from CIP	Transfer to properties held for sale	Disposal	Balance at	Balance at	Transfer to	Disposals, write-offs, adjustments	Balance at	Balance at	
	September 1, 2008					August 31, 2009				September 1, 2008	Amortization	September 1, 2009
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Land	66,187	4,225	-	(612)	-	69,800	-	-	-	-	-	69,800
Land improvements	26,718	10,522	-	-	-	37,240	2,936	2,298	-	(3)	5,231	32,009
Buildings (40 Years)	2,266,020	74,016	1,844	(7,864)	-	2,334,016	720,142	65,718	(3,693)	-	782,167	1,551,849
Portable structures	43,469	2,698	-	-	(2,401)	43,766	26,898	2,253	-	(2,401)	26,750	17,016
Construction in Progress (CIP)	4,905	26,402	(1,844)	-	-	29,463	-	-	-	-	-	29,463
Equipment (5 Years)	182	-	-	-	(23)	159	92	34	-	(23)	103	56
Equipment (10 Years)	4,302	540	-	-	-	4,842	1,988	460	-	-	2,448	2,394
Equipment (15 Years)	2,678	61	-	-	(279)	2,460	1,167	161	-	(279)	1,049	1,411
First time equipping (10 Years)	355	1,077	-	-	-	1,432	77	131	-	-	208	1,224
Furniture (10 Years)	930	478	-	-	(270)	1,138	475	-	-	(3)	472	666
Computer hardware	37,769	8,027	-	-	(3,909)	41,887	16,077	7,891	-	(3,825)	20,143	21,744
Computer software	36,233	1,447	-	-	(1,571)	36,109	7,814	7,145	-	(1,565)	13,394	22,715
Vehicles (< 10,000 pounds)	384	-	-	-	(28)	356	167	76	-	(28)	215	141
Vehicles (> 10,000 pounds)	2,807	814	-	-	-	3,621	1,709	367	-	-	2,076	1,545
Leasehold improvement - Building	38	610	-	-	-	648	2	121	-	-	123	525
Leasehold improvement - Land	16	-	-	-	-	16	-	1	-	-	1	15
Total	2,492,993	130,917	-	(8,476)	(8,481)	2,606,953	779,544	86,656	(3,693)	(8,127)	854,380	1,752,573

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

15. Tangible capital assets (continued)

c) Works of art and historic artifacts

TDSB has an art collection in its possession with an insured value of \$7.4 million (2009 - \$7.4 million). In addition, TDSB also has a number of historic artifacts. In accordance with public sector accounting standards, these works of art and historic artifacts are not recorded as an asset in these financial statements.

16. Accounts receivable – Province of Ontario

The Province of Ontario has replaced variable capital funding with a one-time debt support grant. The Board will receive 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.

17. Properties held for sale

As of August 31, 2010, \$7.1 million (2009 - \$15.6 million) related to buildings and \$0.1 million (2009 - \$1.1 million) related to land were recorded as properties held for sale. During the year, a number of school properties were sold, some of which had been previously classified as inventory held for sale as at August 31, 2009 and additional properties with a net book value of \$4.1 million which were reclassified during the year. Net proceeds of \$65.7 million (2009 - \$29.1 million) were received on the sale of these properties, which had a carrying value of \$13.7 million (2009 - \$5.0 million), resulting in a gain of \$52.0 million (2009 - \$24.1 million).

18. Budget data

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 budgets approved by the Board on June 26th 2009. Capitalization of assets, amortization, and gains and losses on disposal were not contemplated on development of the budget and as such, have not been included. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2010 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As the Consolidated Statement of Change in Net Debt is a new statement in 2009-10 financial statements, the budget figures in that statement have not been provided.

	2009-10 Budget	Change	Restated 2009-10 Budget
	\$	\$	\$
Total revenue	2,645,903		2,645,903
Expenses			
Total Expenditure as in the 2009-10 Budget	2,778,473		2,778,473
Less: Capital assets expenditure		(171,478)	(171,478)
Plus: Amortization		90,758	90,758
Total expenses	2,778,473	(80,720)	2,697,753
Annual surplus/(deficit)	(132,570)	80,720	(51,850)
Accumulated surplus/(deficit) at beginning of year	737,133		737,133
Accumulated surplus/(deficit) at end of year	604,563	80,720	685,283

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2010

(Tabular amounts in thousands of dollars)

19. Future accounting for contributions used for capital

In the Ministry of Finance Addendum to the 2010 Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management, the government provided direction to school boards on the accounting treatment of capital contributions. This addendum proposes that, effective for the fiscal year beginning on September 1, 2010, school boards in Ontario will adopt accounting policies consistent with the Province of Ontario, which include a policy to recognize government transfers and external contributions used in the acquisition of tangible capital assets over the period that the asset is expected to provide service. This policy is to ensure consistency with the current practice of senior governments in Canada and other major broader public sector organizations (hospitals, colleges and universities), and to ensure that school board operating surpluses or deficits are not distorted by capital grant revenues.

This accounting treatment is not currently a recognized option by the Public Sector Accounting Standards Board (PSAB) and was not be implemented within these financial statements.

20. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation.