

Consolidated financial statements of

Toronto District School Board

August 31, 2012 and 2011

Toronto District School Board

August 31, 2012 and 2011

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Management Report

Year ended August 31, 2012

Re: Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

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

A handwritten signature in black ink, appearing to read "Chris Spence", written over a horizontal line.

Dr. Chris Spence
Director of Education

A handwritten signature in black ink, appearing to read "Vidya Rego", written over a horizontal line.

Vidya Rego
Chief Financial Officer

December 12, 2012

Independent Auditor's Report

To the Board of Trustees of
The Toronto District School Board

We have audited the accompanying consolidated financial statements of Toronto District School Board, which comprise the consolidated statements of financial position as at August 31, 2012 and August 31, 2011, and the consolidated statements of operations, change in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

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 (deficit) and cash flows from operating activities for the years ended August 31, 2012 and 2011, financial assets as at August 31, 2012 and 2011 and accumulated deficit as at September 1 and August 31 for both the 2012 and 2011 fiscal years. Our opinion was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Toronto District School Board for the years ended August 31, 2012 and August 31, 2011 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
December 12, 2012

Toronto District School Board

Consolidated statements of financial position

as at August 31, 2012 and 2011

(In thousands of dollars)

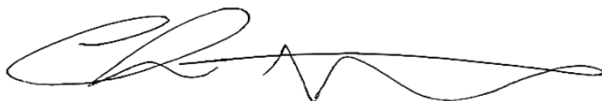
	2012	2011
	\$	(Note 1(a)) \$
Financial assets		
Cash	48,704	46,002
Due from City of Toronto	167,183	130,815
Accounts receivable	21,022	24,679
Accounts receivable - Province of Ontario (Note 2)	491,154	449,595
Mortgage receivable (Note 3)	4,700	-
Funds on deposit (Note 4(f))	110,090	119,880
Properties held for sale (Note 5)	1,925	14,064
Total financial assets	844,778	785,035
Liabilities		
Short-term borrowing (Note 6)	77,012	38,299
Accounts payable and accrued liabilities	182,209	174,887
Due to Province of Ontario	4,240	16,693
Accrued vacation pay	16,362	16,773
Deferred revenue (Note 7)	66,433	61,724
Deferred capital contributions (Note 8)	1,723,592	1,649,882
Retirement and other employee future benefits payable (Note 4)	455,768	562,459
Net long term debt (Note 9)	450,563	441,643
Total liabilities	2,976,179	2,962,360
Net debt	(2,131,401)	(2,177,325)
Non-financial assets		
Tangible capital assets (Note 10)	1,853,148	1,799,311
Prepaid expenses and supplies	8,692	8,125
Total non-financial assets	1,861,840	1,807,436
Accumulated deficit (Note 11)	(269,561)	(369,889)

Commitments and contingencies (Notes 12 and 13)
Subsequent event (Note 19)

Approved by



Director of Education and Secretary Treasurer



Chair of the Board

Toronto District School Board

Consolidated statements of operations
years ended August 31, 2012 and 2011
(In thousands of dollars)

	Budget (Unaudited)	2012	2011 (Note 1(a))
	\$	\$	\$
Revenues			
Local taxation	1,468,678	1,481,310	1,469,195
Provincial grants			
Grants for student needs	1,156,381	1,159,980	1,064,921
Other	82,007	92,006	83,322
Federal grants and fees	27,300	24,016	30,489
Other fees and revenues	68,413	97,060	83,470
School fundraising	40,000	43,241	44,046
Amortization of deferred capital contributions	100,010	91,269	93,122
Total revenues	2,942,789	2,988,882	2,868,565
Expenses (Note 14)			
Instruction	2,318,698	2,222,697	2,254,031
Administration	87,846	83,920	83,555
Transportation	51,297	53,795	52,082
School operations and maintenance	297,908	308,761	296,535
Pupil accommodation	148,030	137,690	138,948
Other programs	43,891	38,887	40,434
School funded activities	40,000	42,795	44,541
Loss on disposal of tangible capital assets	-	9	1,925
Total expenses	2,987,670	2,888,554	2,912,051
Annual surplus (deficit)	(44,881)	100,328	(43,486)
Accumulated deficit, beginning of year	(381,814)	(369,889)	(326,403)
Accumulated deficit, end of year	(426,695)	(269,561)	(369,889)

Toronto District School Board

Consolidated statements of change in net debt

years ended August 31, 2012 and 2011

(In thousands of dollars)

	2012	2011
		(Note 1(a))
	\$	\$
Annual surplus (deficit)	100,328	(43,486)
Acquisition of tangible capital assets	(156,196)	(121,921)
Amortization of tangible capital assets	94,236	95,067
Loss from tangible capital assets disposal	9	1,925
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 5)	8,114	10,982
	46,491	(57,433)
Acquisition of inventories of supplies	(9,839)	(43)
Acquisition of prepaid expenses	(5,473)	(430)
Consumption of inventories of supplies	9,025	1,198
Use of prepaid expenses	5,720	3,051
Change in net debt	45,924	(53,657)
Net debt, beginning of year	(2,177,325)	(2,123,668)
Net debt, end of year	(2,131,401)	(2,177,325)

Toronto District School Board

Consolidated statements of cash flows years ended August 31, 2012 and 2011 (In thousands of dollars)

	2012	2011 (Note 1(a))
	\$	\$
Operating activities		
Annual surplus (deficit)	100,328	(43,486)
Items not involving cash		
Amortization	94,236	95,067
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 5)	8,114	10,982
Net transfer from deferred capital contributions to deferred revenue (Note 8)	(7,082)	(9,180)
Loss on disposal of tangible capital assets	9	1,925
Deferred capital contributions recognized (Note 8)	(91,269)	(93,122)
Change in non-cash assets and liabilities		
Increase in due from City of Toronto	(36,368)	(67,534)
Decrease (increase) in accounts receivable	3,657	(3,256)
Increase in accounts receivable - Province of Ontario	(41,559)	(31,451)
(Increase) decrease in prepaid expenses and supplies	(567)	3,776
Decrease (increase) in properties for sale	12,139	(6,863)
Increase in accounts payable and accrued liabilities and accrued vacation pay	6,911	21,525
(Decrease) increase in due to Province of Ontario	(12,453)	4,037
Increase in deferred revenues	4,709	14,613
(Decrease) increase in employee future benefits payable	(106,691)	20,338
Net change in cash from operating activities	(65,886)	(82,629)
Capital activity		
Acquisition of tangible capital assets	(156,196)	(121,921)
Net change in cash from capital activity	(156,196)	(121,921)
Investing activities		
Issuance of mortgage and note receivable (Note 15)	(4,700)	-
Collection of mortgage and note receivable (Note 15)	-	7,235
Decrease in funds on deposit	9,790	8,023
Net change in cash from investing activities	5,090	15,258
Financing activities		
Capital grant contributions (Note 8)	172,061	147,266
Short term borrowing - net	38,713	(15,069)
Long-term debt repayments	(15,361)	(13,976)
Issuance of long-term debt	24,281	48,640
Net change in cash from financing activities	219,694	166,861
Net increase (decrease) in cash	2,702	(22,431)
Cash, beginning of year	46,002	68,433
Cash, end of year	48,704	46,002

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

1. Significant accounting policies

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

Significant accounting policies adopted are as follows:

(a) *Basis of accounting*

The financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- Government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Canadian public sector accounting standard PS 3410;
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with Canadian public sector accounting standard PS 3100; and
- Property taxation revenue be reported as revenue when received or receivable in accordance with Canadian public sector accounting standard PS 3510.

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

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(a) Basis of accounting (continued)

Regulation 395/11, "Accounting Policies and Practices Public Entities" was released in the fall of 2011 requiring that the School Board comply with the related accounting policy requirements described above. Prior to the release of this Regulation, the consolidated financial statements as at and for the year ended August 31, 2011 were originally prepared under a special purpose framework as directed by the Ministry of Education. As a result, these are the first financial statements of the School Board prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act ("new financial reporting framework"). The School Board has applied this new financial reporting framework retrospectively to the comparative information in these consolidated financial statements. There are no changes to accumulated surplus on the consolidated statement of financial position as at August 31, 2011 or the annual surplus on the statement of operations for the year ended August 31, 2011 as a result of the transition to this new financial reporting framework.

(b) Reporting entity

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

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

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

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

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

(c) Trust funds

Trust funds and their related operations administered by the Board amounting to \$7.8 million (2011 - \$7.6 million) are not included in the consolidated financial statements.

(d) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts will be recognized as revenue in the fiscal year the related qualifying expenditures are incurred or services are performed.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(e) *Deferred capital contributions*

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets for use in providing services, is recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized.

(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. On September 11th, 2012, the Government of Ontario passed Bill 115, Putting Students First Act which included changes to the Board's sick leave credit gratuity plan, accumulated sick leave plan, retiree health, and workers' compensation plan. 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 were historically 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. In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. The change resulted in a plan curtailment and any unamortized actuarial gains and losses are recognized as at August 31, 2012. Any future actuarial gains and losses arising from changes to the discount rate will be amortized over the expected average remaining service life of the employee group.

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. The changes to any retiree health, life and dental plans resulted in a plan curtailment and any unamortized actuarial gains and losses associated with the employees impacted by the change are recognized as at August 31, 2012.

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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(f) *Retirement and other employee future benefits (continued)*

- (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) *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. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

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 with finite lives	15 years
Portable structures	20 years
First time equipping of schools	10 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.

(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.

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

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(i) *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.

(j) *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. Long term debt is recorded net of related sinking fund balances.

(k) *Budget figures*

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. The budget figures are unaudited.

(l) *Use of estimates*

The preparation of financial statements in conformity with the basis of accounting described in Note 1a) 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, certain accrued liabilities, employee future benefits, useful lives of tangible capital assets and the recognition of deferred amounts related to capital contributions. Actual results could differ from these estimates.

2. Accounts receivable - Province of Ontario

The account receivable from the Province of Ontario is comprised mainly of amounts related to capital grants in the amount of \$481.4 million (2011 - \$444.7 million).

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

3. Mortgage receivable

	2012	2011
	\$	\$
Mortgage relating to the sale of Alderwood Public School, principal only due August 28, 2014.	4,700	-

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

4. Retirement and other employee future benefits

(a) Plan changes

The Board provides certain benefits to employees and retirees the majority of which are unfunded and will require funding in future periods.

On September 11th, 2012, the Government of Ontario passed Bill 115, Putting Students First Act. As a result employees eligible for retirement gratuity will receive payout upon retirement based on their accumulated vested sick days under the plan, years of service and salary as of August 31, 2012. All accumulated non-vested sick days are eliminated as of September 1, 2012, and are replaced with a new sick leave and short term disability plan with no provisions for accumulation of unused days.

Retirement life insurance and health care benefits have been grandfathered to existing retirees and employees who will retire in 2012-13. Effective September 1, 2013, any new retiree accessing retirement life insurance and health care benefits will pay the full premiums for such benefits and will be included in a separate experience pool that is self-funded.

An actuarial valuation of each respective plan was completed as of August 31, 2012. 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.

Retirement benefits

(i) Sick leave credit gratuities

The Board has historically provided sick leave credit gratuities to certain groups of employees. 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. In the prior year, the amount of gratuities payable to eligible employees at retirement was based on their salary, accumulated sick days, and years of service at retirement. As a result of the plan change, the amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time curtailment gain of \$2.1 million which has been reported in the consolidated statement of operations as at August 31, 2012 (see Note 4(c)).

(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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

4. Retirement and other employee future benefits (continued)

(a) *Plan changes (continued)*

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. The Putting Students First Act, 2012 requires school boards to provide salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreement included such provision. This resulted in a one-time increase to the Board's obligation of \$1.8 million as at August 31, 2012.

(ii) Long-term disability benefits

The Board provides long term disability insurance coverage for non-teaching employees. The benefit costs and actuarially determined liabilities related to this plan are included in the Board's consolidated financial statements. The Board has 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) Sick leave benefits

The Board has historically provided accumulating, non-vesting sick day entitlements, which was used by the employee through paid time off. As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations has been eliminated, resulting in a one-time curtailment gain of \$122.7 million which has been reported in the consolidated statement of operations as at August 31, 2012 (see Note 4(c)).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

4. Retirement and other employee future benefits (continued)

(b) Retirement and other employee future benefits liabilities

	2012			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Accrued benefit obligation				
Balance, beginning of year	5,670	335,045	277,576	618,291
Employer current service cost net of employee contribution	-	21,666	24,789	46,455
Interest cost	213	13,806	11,706	25,725
Benefit paid	(710)	(31,269)	(28,072)	(60,051)
Actuarial losses	251	60,075	4,316	64,642
Curtailment gain	-	(100,485)	(150,545)	(251,030)
Balance, end of year	5,424	298,838	139,770	444,032
Unfunded accrued benefit obligation	5,424	298,838	139,770	444,032
Unamortized net actuarial gain	-	-	11,736	11,736
Accrued benefit liability	5,424	298,838	151,506	455,768
	2011			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Accrued benefit obligation				
Balance, beginning of year	12,327	303,601	264,397	580,325
Employer current service cost net of employee contribution	-	19,070	13,663	32,733
Interest cost	408	14,788	12,507	27,703
Benefit paid	(1,218)	(23,502)	(28,040)	(52,760)
Actuarial losses (gains)	(525)	21,088	15,049	35,612
Obligation settled	(5,322)	-	-	(5,322)
Balance, end of year	5,670	335,045	277,576	618,291
Plan assets				
Fair value, beginning of year	6,209	-	-	6,209
Actual return on plan assets	(100)	-	-	(100)
Employer contributions	742	23,502	28,040	52,284
Valuation allowance	(312)	-	-	(312)
Benefits paid	(1,217)	(23,502)	(28,040)	(52,759)
Assets settled	(5,322)	-	-	(5,322)
Fair value, end of year	-	-	-	-
Unfunded accrued benefit obligation	5,670	335,045	277,576	618,291
Unamortized net actuarial loss	-	(42,303)	(13,529)	(55,832)
Accrued benefit liability	5,670	292,742	264,047	562,459

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

4. Retirement and other employee future benefits (continued)

(c) Retirement and other employee future benefits expenses

	2012			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Current year benefit costs	-	21,666	24,789	46,455
Interest on accrued benefit obligation	213	13,806	11,706	25,725
Curtailement gain	-	(2,401)	(122,736)	(125,137)
Recognition of unamortized actuarial losses on plan amendments/curtailments	251	4,294	1,773	6,318
Employee future benefits expenses	464	37,365	(84,468)	(46,639)

	2011			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Current year benefit costs	-	19,070	13,663	32,733
Interest on accrued benefit obligation	409	14,787	12,507	27,703
Gain on plan amendments	(602)	-	-	(602)
Recognition of unamortized actuarial losses	488	3,218	9,081	12,787
Employee future benefits expenses	295	37,075	35,251	72,621

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, 2012 and 2011

(Tabular amounts in thousands of dollars)

4. Retirement and other employee future benefits (continued)

(d) Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2012 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2012. These valuations take into account the plan changes outlined above and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2012	2011
	%	%
Estimated inflation		
Heath	8.30	8.60
Dental	5.30	5.30
War veterans	2.00	2.20
North York pension	N/A	2.20
WSIB	1.00	1.25
LTDI	1.00	1.25
Wages and salary calculation	2.50	3.00
Discount on accrued benefit obligations		
Sick leave credit gratuity	3.00	4.00
Life, health and dental	3.00	4.00
War veterans	3.00	4.00
North York pension	3.00	4.00
WSIB	3.00	4.00
LTDI	3.00	4.00
Sick leave accumulation	3.00	4.00

(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, 2012, the Board contributed \$ 45.2 million (2011 - \$36.9 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.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

4. Retirement and other employee future benefits (continued)

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

(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 \$ 27.2 million (2011 - \$32.1 million). These funds primarily cover estimated current period claims yet to be submitted by employees.

(ii) 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 \$ 82.6 million (2011 - \$81.9 million). These funds primarily cover the actuarially determined liabilities of the Plan and cover reduced Board premiums otherwise required by the Plan.

5. Properties held for sale

As of August 31, 2012, \$1.6 million (2011 - \$14.02 million) related to buildings and \$0.3 million (2011 - \$0.04 million) related to land were recorded as properties held for sale (PHFS). The net book value of properties reclassified to properties held for sale was \$8.1 million (2011 - \$11.0 million). During the year, a number of school properties were sold. Net proceeds of \$95.3 million (2011 - \$50.1 million) were received on the sale of these properties, which had a carrying value of \$19.8 million (2011 - \$5.4 million), resulting in a gain on sale of \$75.5 million (2011 - \$44.7 million). The proceeds from the sale of these properties have been used to fund in-year capital projects or prior year capital deficit, as well as \$3.2 million recognized as revenue mainly to fund in-year land purchases, with an amount remaining in deferred revenue of \$25.0 million, in accordance with Ontario Regulation 193/10.

6. Short-term borrowing

	2012	2011
	\$	\$
91 day to 93 day Bankers Acceptances bearing interest at 2.05% maturing on November 30, 2012.	77,012	-
88 day to 91 day Bankers Acceptances bearing interest from 2.02% to 2.04% maturing September 14, 2011 to November 25, 2011	-	38,299

The Board has incurred short term borrowing at August 31, 2012 in the amount of \$77.0 million (2011 - \$38.3 million), to provide interim financing for various capital programs including the following Ministry of Education initiatives: Good Places to Learn (GPL) - \$21.2 million, Primary Class Size (PCS) - \$3.5 million, Prohibitive-to-repair - \$8.4 million, Full Day Kindergarten (FDK) - \$18.6 million, Capital Priority Programs - \$5.3 million, and Capital Enveloping - \$20.0 million.

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 9 (d), (e), (f), (g), (h) and (i)).

The Board has a \$50 million line of credit with a Canadian chartered bank for operating purposes. The amount outstanding as at August 31, 2012 was \$Nil (2011 - \$Nil).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

7. Deferred revenue

The continuity of deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2012 is as follows:

	Balance, August 31, 2011	Externally restricted revenue and investment income	Revenue recognized in the period	Transfer to/(from) deferred capital contributions	Balance, August 31, 2012
	\$	\$	\$	\$	\$
Special Education	3,778	317,364	318,716	-	2,426
Other Ministry of Education grants	5,462	58,912	58,247	-	6,127
Other Provincial grants	5,943	31,317	33,287	-	3,973
Tuition fees	14,698	17,397	16,015	-	16,080
Other (operation)	6,784	22,683	24,485	-	4,982
Energy efficient schools	6,293	3,480	9,773	-	-
Renewable energy	2,864	-	2,553	8	303
Minor TCA	-	65,227	58,901	6,326	-
School renewal	-	41,372	34,238	7,126	7
School condition improvement	-	17,265	50	13,084	4,131
Temporary accommodation	-	1,470	-	1,470	-
Interest on capital	-	23,366	23,366	-	-
Ministry of Health - Pool grants	423	622	45	949	51
Proceeds of disposition	-	95,277	3,104	67,132	25,040
Proceeds of disposition - PHFS	14,018	(19,485)	-	(7,083)	1,616
Other	1,461	5,060	250	4,573	1,698
Total	61,724	681,326	583,031	93,586	66,433

The continuity of deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2011 is as follows:

	Balance as at August 31, 2010	Externally restricted revenue and investment income	Revenue recognized in the period	Transfer to/(from) deferred capital contributions	Balance, as at August 31, 2011
	\$	\$	\$	\$	\$
Special Education	-	291,768	287,990	-	3,778
Other Ministry of Education grants	11,090	48,834	54,462	-	5,462
Other Provincial grants	5,798	29,000	28,855	-	5,943
Tuition fees	11,611	16,542	13,455	-	14,698
Other (operation)	7,196	47,628	48,040	-	6,784
Energy efficient schools	870	22,476	-	17,053	6,293
Renewable energy	-	3,924	-	1,060	2,864
Minor TCA	-	62,700	50,539	12,161	-
School renewal	-	42,284	37,358	4,926	-
Interest on capital	-	21,880	21,880	-	-
Ministry of Health - Pool grants	3,453	3,412	45	6,397	423
Proceeds of disposition	-	50,062	1,382	48,680	-
Proceeds of disposition - PHFS	7,093	(2,255)	-	(9,180)	14,018
Other	-	9,632	883	7,288	1,461
Total deferred revenue	47,111	647,887	544,889	88,385	61,724

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

8. Deferred capital contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been spent by year end. The contributions are amortized into revenue at the rate used to amortize the related asset over its useful life.

	2012	2011
	\$	\$
Balance, beginning of year	1,649,882	1,604,918
Additions to deferred capital contributions	172,061	147,266
Revenue recognized in the period	(91,269)	(93,122)
Transfers to deferred revenue relating to properties held for sale	(7,082)	(9,180)
Balance, end of year	1,723,592	1,649,882

Additions to deferred capital contributions includes net proceeds from disposition of properties held for sale in the amount of \$67.1 million (2011 - \$48.7 million).

9. Net long-term debt

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

				2012	2011
		Interest rate	Maturity date		
		%		\$	\$
Critical renewal debenture	Note 9(b)	5.07	December 17, 2024	29,415	31,066
Sinking Fund (City of Toronto)	Note 9(c)	6.10	December 12, 2017	75,846	75,846
Less: sinking fund assets	Note 9(c)	-	-	(47,160)	(43,391)
Ontario Financing Authority	Note 9(d)	4.56	November 15, 2031	93,212	96,129
Ontario Financing Authority	Note 9(e)	4.90	March 3, 2033	93,739	96,289
Ontario Financing Authority	Note 9(f)	5.06	March 13, 2034	82,305	84,334
Ontario Financing Authority	Note 9(g)	5.23	April 13, 2035	51,590	52,737
Ontario Financing Authority	Note 9(h)	4.83	March 11, 2036	47,335	48,377
Ontario Financing Authority	Note 9(i)	3.59	March 9, 2037	24,281	-
Sustainable Energy Funds	Note 9(j)	-	October 1, 2030	-	185
Sustainable Energy Funds	Note 9(k)	-	June 1, 2022	-	71
Balance as at August 31				450,563	441,643

(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 \$47.2 million (2011 - \$43.4 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, 2012 was \$50.7 million (2011 - \$45.6 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

9. Net long-term debt (continued)

- (d) On November 15, 2006, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$107.7 million of the GPL program. 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.
- (e) On March 3, 2008, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$103.2 million (GPL of \$93.9 million and PCS of \$9.3 million). 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 finance \$88.1 million (GPL of \$81.1 million and PCS of \$7.0 million). 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 finance \$53.8 million (GPL of \$51.7 million and PCS of \$2.1 million). 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) On March 11, 2011, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$48.4 million (GPL of \$33.9 million and PCS of \$14.5 million). The loan is repayable by semi-annual installments of principal and interest of \$1.7 million based on a 25 year amortization schedule and bears interest of 4.83%. The annual principal and interest costs are funded by the Ministry of Education.
- (i) On March 9, 2012, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$24.3 million (GPL of \$23.9 million and PCS of \$0.4 million). The loan is repayable by semi-annual installments of principal and interest of \$0.7 million based on a 25 year amortization schedule and bears interest of 3.59%. The annual principal and interest costs are funded by the Ministry of Education.
- (j) On September 29, 2010, the Board entered into an interest free loan agreement with the City of Toronto Better Building Partnership (Sustainable Energy Funds - Highfield JPS) for \$192,570. The loan is repayable by quarterly principal installments of \$9,629. The annual principal costs are funded by operations.
- (k) On September 29, 2010, the Board entered into an interest free loan agreement with the City of Toronto Better Building Partnership (Sustainable Energy Funds - William Lyon Mackenzie CI) for \$70,632. The loan is repayable by quarterly installments of principal of \$6,421. The annual principal costs are funded by operations.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

9. Net long-term debt (continued)

- (l) Principal and sinking fund payments relating to net long-term liabilities of \$441.6 million outstanding as at August 31, 2012 are due as follows:

	Principal and sinking fund contributions	Interest	Total
	\$	\$	\$
2013	14,815	24,831	39,646
2014	15,427	24,219	39,646
2015	16,069	23,577	39,646
2016	16,742	22,904	39,646
2017	17,449	22,197	39,646
Thereafter	355,138	161,158	516,296
	<u>435,640</u>	<u>278,886</u>	<u>714,526</u>

In addition, debenture interest on sinking fund contributions estimated to amount to approximately \$14.9 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.

- (m) Interest on long-term debt amounted to \$24.4 million (2011 - \$23.3 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

10. Tangible capital assets

(a) Opening and closing balances with activities for the year ended August 31, 2012

	Gross book value					Accumulated amortization					Net book value	
	Balance at September 1, 2011	Additions	Transfers to/from CIP	Transfers to held for sale	Disposal	Balance at August 31, 2012	Balance at September 1, 2011	Amortization	Transfers to held for sale	Disposals, write-offs	Balance at August 31, 2012	Balance at August 31, 2012
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	72,014	1,519	525	(1,032)	-	73,026	-	-	-	-	-	73,026
Land improvements	51,119	9,326	1,656	(130)	-	61,971	11,684	4,112	(59)	-	15,737	46,234
Buildings (40 years)	2,511,193	80,716	15,271	(12,899)	-	2,594,281	910,870	73,543	(5,888)	-	978,525	1,615,756
Portable structures	29,061	2,806	-	-	(5,620)	26,247	9,459	1,405	-	(5,620)	5,244	21,003
Construction in Progress (CIP)	24,854	52,954	(17,452)	-	-	60,356	-	-	-	-	-	60,356
Pre-acquisition building	-	423	-	-	-	423	-	-	-	-	-	423
Equipment (5 years)	6,310	412	-	-	(66)	6,656	1,050	1,296	-	(66)	2,280	4,376
Equipment (10 years)	4,290	317	-	-	(480)	4,127	2,209	408	-	(480)	2,137	1,990
Equipment (15 years)	2,837	41	-	-	-	2,878	1,371	181	-	-	1,552	1,326
First time equipping (10 years)	2,639	1,088	-	-	-	3,727	613	315	-	-	928	2,799
Furniture (10 years)	1,074	41	-	-	(55)	1,060	379	105	-	(47)	437	623
Computer hardware	41,232	4,826	-	-	(8,477)	37,581	21,194	7,675	-	(8,477)	20,392	17,189
Computer software	37,132	160	-	-	(16,242)	21,050	27,673	4,474	-	(16,242)	15,905	5,145
Vehicles (< 10,000 pounds)	1,110	334	-	-	-	1,444	1,036	81	-	-	1,117	327
Vehicles (> 10,000 pounds)	3,881	599	-	-	(29)	4,451	2,922	352	-	(28)	3,246	1,205
Leasehold improvement - building	1,504	297	-	-	-	1,801	501	274	-	-	775	1,026
Leasehold improvement - land	25	337	-	-	-	362	3	15	-	-	18	344
	2,790,275	156,196	-	(14,061)	(30,969)	2,901,441	990,964	94,236	(5,947)	(30,960)	1,048,293	1,853,148

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

10. Tangible capital assets (continued)

(a) Opening and closing balances with activities for the year ended August 31, 2012 (continued)

	Gross book value					Accumulated amortization					Net book value	
	Balance at September 1, 2010	Additions	Transfers to/from CIP	Transfers to held for sale	Disposal	Balance at August 31, 2011	Balance at September 1, 2010	Amortization	Transfers to held for sale	Disposals, write-offs, adjustments	Balance at August 31, 2011	Balance at August 31, 2011
	\$	\$			\$	\$	\$	\$	\$	\$	\$	\$
Land	72,054	1,762	-	(1,802)	-	72,014	-	-	-	-	-	72,014
Land improvements	44,790	6,449	-	(45)	(75)	51,119	8,226	3,486	(13)	(15)	11,684	39,435
Buildings (40 years)	2,460,631	71,040	-	(16,764)	(3,714)	2,511,193	849,507	70,828	(7,616)	(1,849)	910,870	1,600,323
Portable structures	44,672	3,294	-	-	(18,905)	29,061	26,506	1,858	-	(18,905)	9,459	19,602
Construction in Progress (CIP)	1,189	23,665	-	-	-	24,854	-	-	-	-	-	24,854
Equipment (5 years)	3,616	2,700	-	-	(6)	6,310	122	934	-	(6)	1,050	5,260
Equipment (10 years)	4,886	413	-	-	(1,009)	4,290	2,735	483	-	(1,009)	2,209	2,081
Equipment (15 years)	2,460	377	-	-	-	2,837	1,211	160	-	-	1,371	1,466
First time equipping (10 years)	2,487	152	-	-	-	2,639	360	253	-	-	613	2,026
Furniture (10 years)	1,202	105	-	-	(233)	1,074	502	110	-	(233)	379	695
Computer hardware	37,925	10,205	-	-	(6,898)	41,232	19,688	8,404	-	(6,898)	21,194	20,038
Computer software	36,375	769	-	-	(12)	37,132	20,380	7,305	-	(12)	27,673	9,459
Vehicles (< 10,000 pounds)	1,032	78	-	-	-	1,110	460	576	-	-	1,036	74
Vehicles (> 10,000 pounds)	3,693	188	-	-	-	3,881	2,492	430	-	-	2,922	959
Leasehold improvement - building	789	715	-	-	-	1,504	262	239	-	-	501	1,003
Leasehold improvement - land	16	9	-	-	-	25	2	1	-	-	3	22
	2,717,817	121,921	-	(18,611)	(30,852)	2,790,275	932,453	95,067	(7,629)	(28,927)	990,964	1,799,311

Toronto District School Board

Notes to the consolidated financial statements

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(Tabular amounts in thousands of dollars)

10. Tangible capital assets (continued)

(b) Works of art and historic artifacts

TDSB has an art collection in its possession with an insured value of \$7.4 million (2011 - \$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.

11. Accumulated deficit

Accumulated deficit consists of the following:

	2012	2011
	\$	\$
Accumulated deficit		
Working funds	1,649	17,831
Reserves and reserve funds	100,608	109,164
Employee future benefits	(455,768)	(562,459)
Accrued vacation pay	-	(16,773)
Interest accrual	(6,855)	(6,736)
School generated funds	17,470	17,024
Capital grants used on land purchases	73,335	72,060
	(269,561)	(369,889)

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

	2012	2011
	\$	\$
Special education	853	675
Employee benefit plans	77,700	84,110
School support	9,235	7,905
Sinking fund interest	12,193	12,145
Other	627	4,329
	100,608	109,164

12. Contractual obligations and commitments

Capital, facility renewals and renovations

The Board's commitments for approved capital and facility renewal programs as of August 31, 2012 amounted to \$52.4 million (2011 - \$36.8 million).

Other significant obligations

The Board awarded contracts for student transportation, which expire August 31, 2014. The estimated annual commitment under these contracts is \$46.0 million (2011 - \$44.2 million).

The Board is committed to purchase natural gas through supply contracts with various expiry dates; the latest contract expires on October 31, 2013. The estimated annual costs of these contracts are \$10.6 million (2011 - \$12.7 million).

The Board is committed to a Wide Area Network contract which expires December 2020. The estimated annual commitment under this contract is \$4.5 million (2011 - \$3.9 million).

The Board is committed to several telephone services contracts which expire between December 2012 and January 2015. The estimated annual commitment under these contracts is \$1.2 million (2011 - \$2.6 million).

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Notes to the consolidated financial statements

August 31, 2012 and 2011

(Tabular amounts in thousands of dollars)

13. 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, 2012, 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 claims with employee groups. Management will record any future pay equity settlements in the year in which the claim is settled, or earlier, if the amount is determined to be likely and the liability is measurable.

14. Expenses by object

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

	2012	2011
	\$	\$
Expenses		
Salary and wages	2,083,146	2,128,148
Employee benefits	353,409	321,002
Staff development	3,908	5,392
Supplies and services	173,463	177,143
Interest	25,039	24,038
Rental expenses	12,449	13,852
Fees and contract services	98,945	99,024
Other	1,155	1,919
Amortization of tangible capital assets	94,236	95,067
Loss on disposal of tangible capital assets	9	1,925
School activities expenditures	42,795	44,541
	2,888,554	2,912,051

15. 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 December 2016.

Toronto District School Board

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(Tabular amounts in thousands of dollars)

16. 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 (2011 - \$20.5 million) in grants in respect of the above agreement for the year ended August 31, 2012, is not recorded in these consolidated financial statements.

17. 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, 2012 is \$58.9 million (2011 - \$41.8 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.

18. Transportation consortium

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

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

19. Subsequent event

On September 11th, 2012, the Government of Ontario passed Bill 115, the Putting Students First Act that was introduced August 27th, 2012. The requirement of this new legislation was used by the actuaries in the calculations of the Board's estimates for Retirement and Other Employee Future Benefits obligations. The impact of the changes to the various plans has been disclosed in Note 4.

20. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's presentation. The accounts affected include instruction, administration, transportation, school operations and maintenance, and other programs expenses.