

Consolidated financial statements of

**Toronto District School Board**

August 31, 2015

# Toronto District School Board

August 31, 2015

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## Management Report

**Year ended August 31, 2015**

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

The consolidated financial statements have been audited by Deloitte LLP, independent external auditors appointed by the Board. 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 'Donna Quan', written over a horizontal line.

Donna Quan  
Director of Education

A handwritten signature in blue ink, appearing to read 'Carla Kisko', written over a horizontal line.

Carla Kisko  
Associate Director

December 9, 2015

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## **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 statement of financial position as at August 31, 2015 and the consolidated statements of operations, change in net debt and cash flows for the year 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 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 and cash flows from operating activities for the years ended August 31, 2015 and 2014, financial assets as at August 31, 2015 and 2014 and accumulated deficit as at September 1 and August 31 for both the 2015 and 2014 fiscal years. Our opinion on the consolidated financial statements for the year ended August 31, 2014 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 year ended August 31, 2015 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 LLP*

Chartered Professional Accountants  
Licensed Public Accountants  
December 9, 2015

# Toronto District School Board

## Consolidated statement of financial position

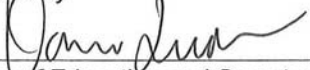
### as at August 31, 2015

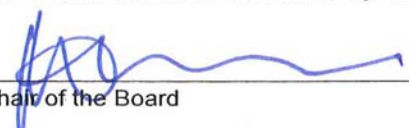
(In thousands of dollars)

	2015	2014
	\$	\$
<b>Financial assets</b>		
Cash	50,968	125,052
Due from City of Toronto	393,881	282,083
Accounts receivable (net of allowance of \$8,631 (2014 - \$6,684))	29,807	22,192
Accounts receivable - Province of Ontario (Note 2)	452,405	505,062
Mortgage receivable (Note 3)	2,450	5,200
Funds on deposit (Note 4(f))	114,312	112,702
Properties held for sale (Note 5)	-	17
<b>Total financial assets</b>	<b>1,043,823</b>	<b>1,052,308</b>
<b>Liabilities</b>		
Short-term borrowing (Note 6)	-	44,296
Accounts payable and accrued liabilities (Note 20)	217,914	206,218
Due to Province of Ontario	43,464	12,276
Accrued vacation pay	16,019	15,622
Deferred revenue (Note 7)	145,978	165,107
Deferred capital contributions (Note 8)	1,913,787	1,871,048
Retirement and other employee future benefits payable (Note 4)	426,202	442,621
Net long term debt (Note 9)	467,079	473,526
<b>Total liabilities</b>	<b>3,230,443</b>	<b>3,230,714</b>
<b>Net debt</b>	<b>(2,186,620)</b>	<b>(2,178,406)</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 10)	2,011,916	1,969,824
Prepaid expenses and supplies	8,581	6,823
<b>Total non-financial assets</b>	<b>2,020,497</b>	<b>1,976,647</b>
<b>Accumulated deficit (Note 11)</b>	<b>(166,123)</b>	<b>(201,759)</b>

Commitments and contingencies (Notes 12 and 13)

Approved by

  
 Director of Education and Secretary Treasurer

  
 Chair of the Board

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

# Toronto District School Board

## Consolidated statement of operations

year ended August 31, 2015

(In thousands of dollars)

	Budget	2015	2014
	\$	\$	\$
<b>Revenues</b>			
Provincial grants			
Grants for student needs (Note 15)	2,773,268	2,758,637	2,581,251
Other	42,232	63,170	192,458
Federal grants and fees	25,000	21,497	22,601
Other fees and revenues	76,625	96,095	96,590
School fundraising	36,000	42,464	41,975
Amortization of deferred capital contributions	114,263	109,329	100,212
<b>Total revenues</b>	<b>3,067,388</b>	<b>3,091,192</b>	<b>3,035,087</b>
<b>Expenses (Note 14)</b>			
Instruction	2,391,778	2,396,101	2,347,156
Administration	81,765	93,470	85,701
Transportation	54,745	56,207	55,826
School operations and maintenance	321,731	323,388	324,819
Pupil accommodation	162,119	138,998	144,122
Other programs	2,050	3,955	2,997
School funded activities	36,000	42,412	41,982
<b>Total expenses</b>	<b>3,050,188</b>	<b>3,054,531</b>	<b>3,002,603</b>
Annual surplus	17,200	36,661	32,484
Accumulated deficit, beginning of year (Note 1(n))	(224,769)	(202,784)	(234,243)
<b>Accumulated deficit, end of year</b>	<b>(207,569)</b>	<b>(166,123)</b>	<b>(201,759)</b>

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

# Toronto District School Board

## Consolidated statement of change in net debt

### year ended August 31, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Annual surplus</b>	<b>36,661</b>	32,484
Acquisition of tangible capital assets	<b>(153,142)</b>	(166,850)
Amortization of tangible capital assets	<b>110,756</b>	101,639
Write-off of pre-acquisition costs	<b>294</b>	-
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 5)	-	4,842
	<b>(5,431)</b>	(27,885)
Acquisition of inventories of supplies	<b>(8,098)</b>	(7,900)
Acquisition of prepaid expenses	<b>(6,149)</b>	(4,676)
Consumption of inventories of supplies	<b>7,821</b>	8,103
Use of prepaid expenses	<b>4,668</b>	5,330
Change in net debt	<b>(7,189)</b>	(27,028)
Net debt, beginning of year (Note 1(n))	<b>(2,179,431)</b>	(2,151,378)
<b>Net debt, end of year</b>	<b>(2,186,620)</b>	(2,178,406)

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



# Toronto District School Board

## Consolidated statement of cash flows

year ended August 31, 2015

(In thousands of dollars)

	2015	2014
	\$	\$
<b>Operating activities</b>		
Annual surplus	36,661	32,484
Items not involving cash		
Amortization	110,756	101,639
Write-off of pre-acquisition costs	294	-
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 5)	-	4,842
Net transfer from deferred capital contributions to deferred revenue (Note 8)	-	(1,836)
Deferred capital contributions recognized (Note 8)	(109,329)	(100,212)
Change in non-cash assets and liabilities		
Due from City of Toronto	(111,798)	(21,221)
Accounts receivable	(7,615)	(889)
Accounts receivable - Province of Ontario	(1,440)	16,446
Prepaid expenses and supplies	(1,758)	857
Properties held for sale	17	1,608
Accounts payable and accrued liabilities and accrued vacation pay (net of liability for contaminated sites (Note 1(n)))	11,067	19,493
Due to Province of Ontario	31,188	(4,343)
Deferred revenues - operating	(1,775)	(3,289)
Retirement and other employee future benefits payable	(16,419)	(17,250)
	<b>(60,151)</b>	<b>28,330</b>
<b>Capital activity</b>		
Acquisition of tangible capital assets	(153,142)	(166,850)
<b>Investing activities</b>		
Repayment of mortgage receivable	2,750	(500)
Funds on deposit	(1,610)	(7,980)
	<b>1,140</b>	<b>(8,480)</b>
<b>Financing activities</b>		
Capital grant contributions (Note 8)	152,068	191,098
Deferred revenue - capital	(17,353)	44,640
Accounts receivable - Province of Ontario Capital	54,097	16,639
Short term borrowing - net	(44,296)	(29,341)
Long-term debt repayments	(21,482)	(17,026)
Issuance of long-term debt	15,035	18,656
	<b>138,069</b>	<b>224,666</b>
Net increase (decrease) in cash	(74,084)	77,665
Cash, beginning of year	125,052	47,387
<b>Cash, end of year</b>	<b>50,968</b>	<b>125,052</b>

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

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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### 1. Significant accounting policies

The consolidated financial statements are the representations of management and are prepared in accordance with the basis of accounting as described in Note 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, including amounts previously recognized as tax revenue, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Canadian public sector accounting standard PS 3410; and
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with Canadian public sector accounting standard PS 3100.

As a result, revenue recognized in the 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, 2015

(Tabular amounts in thousands of dollars)

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### 1. Significant accounting policies (continued)

#### (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 \$8.9 million (2014 - \$9.0 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.

#### (e) Deferred capital contributions

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

- Government transfers received or receivable for capital purpose;
- Other restricted contributions received or receivable for capital purpose; and
- Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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### 1. Significant accounting policies (continued)

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

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, sick leave credit gratuity, 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. 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. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest and accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, 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.

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 these benefits are recognized immediately in the period they arise.

- (ii) The Board's contributions to multi-employer defined benefit pension plans, such as the Ontario Municipal Employees Retirement System (OMERS) 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.

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

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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### 1. Significant accounting policies (continued)

#### (g) Tangible capital assets (continued)

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

Asset class	Estimated useful life
Buildings	40 years
Other buildings	20 years
Portable structures	20 years
Land improvements with finite lives	15 years
First time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

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

#### (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.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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### 1. Significant accounting policies (continued)

#### (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.

#### (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 for doubtful accounts receivable, certain accrued liabilities including legal claims and pay equity accruals, 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.

#### (m) Property Tax Revenue

Under Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the municipalities is recorded as part of Provincial Legislative Grants.

#### (n) Changes in Accounting Policies

The Board has implemented Public Sector Accounting Board ("PSAB") section 3260 Liability for contaminated sites. Section 3260 requires governments and government organizations to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. The adoption of this standard has been applied retroactively without the restatement of prior periods.

The impact of the change in accounting policy is as follows:

	\$
Accumulated deficit, August 31, 2014	201,759
Liability for contaminated sites, September 1, 2014	(1,025)
<u>Accumulated deficit, September 1, 2014</u>	<u>202,784</u>
	\$
Net debt, August 31, 2014	2,178,406
Liability for contaminated sites, September 1, 2014	(1,025)
<u>Net debt, September 1, 2014</u>	<u>2,179,431</u>

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

### 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 \$451 million (2014 - \$505.1 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

	2015	2014
	\$	\$
Mortgage relating to the sale of Alderwood Public School, Principal of 2.25 million repaid on November 14, 2014 and the remainder paid subsequent to year end.	2,450	4,700
Mortgage relating to the sale of Pine River Outdoor Education Centre, due June 30, 2015	-	500
<b>Total</b>	<b>2,450</b>	<b>5,200</b>

### 4. Retirement and other employee future benefits

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

#### Pension benefits

(i) Supplementary War Veterans Allowance

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

#### Retirement benefits

(i) Sick leave credit gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are recorded in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

(ii) Retirement life insurance and health care benefits

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. These future benefits are unfunded. All retirees on or after September 1, 2004 are not subsidized by the Board.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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

##### (a) Overview of the Board's benefit plans (continued)

###### (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. Plan changes made in 2012 require school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the previously negotiated collective agreement included such provision.

###### (ii) Long-term disability benefits

The Board provides long term disability insurance coverage for non-teaching employees. The benefit costs and actuarially determined liabilities related to this plan are included in the Board's consolidated financial statements. The Board has an internally restricted reserve 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 Top up Benefits

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short term leave and disability plan in that year.

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

	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Accrued benefit obligation				
Balance, beginning of year	4,398	290,907	148,039	443,344
Employer current service cost net of employee contribution	-	-	11,988	11,988
Interest cost	123	8,374	4,297	12,794
Benefit paid	(568)	(23,582)	(19,021)	(43,171)
Actuarial gains (losses)	22	(1,472)	35	(1,415)
<b>Balance, end of year</b>	<b>3,975</b>	<b>274,227</b>	<b>145,338</b>	<b>423,540</b>
Unfunded accrued benefit obligation	3,975	274,227	145,338	423,540
Unamortized net actuarial gains	-	2,662	-	2,662
<b>Accrued benefit liability</b>	<b>3,975</b>	<b>276,889</b>	<b>145,338</b>	<b>426,202</b>



# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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

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

	2014			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
<b>Accrued benefit obligation</b>				
Balance, beginning of year	4,845	302,331	143,933	451,109
Employer current service cost net of employee contribution	-	-	17,203	17,203
Interest cost	148	8,982	4,737	13,867
Benefit paid	(601)	(25,081)	(18,767)	(44,449)
Actuarial losses	7	4,676	931	5,614
Balance, end of year	4,399	290,908	148,037	443,344
Unfunded accrued benefit obligation	4,399	290,908	148,037	443,344
Unamortized net actuarial gains (losses)	-	482	(1,205)	(723)
Accrued benefit liability	4,399	291,390	146,832	442,621

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

	2015			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Current year benefit costs	-	-	11,988	11,988
Interest on accrued benefit obligation	123	8,373	4,297	12,793
Recognition of actuarial losses (gains)	22	708	1,241	1,971
Employee future benefits expenses	145	9,081	17,526	26,752

	2014			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Current year benefit costs	-	-	17,203	17,203
Interest on accrued benefit obligation	148	8,982	4,737	13,867
Recognition of actuarial losses (gains)	7	(448)	(3,429)	(3,870)
Employee future benefits expenses	155	8,534	18,511	27,200

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, 2015

(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, 2015 are based on the most recent actuarial valuations completed for accounting purposes as at August 31, 2015. These valuations take into account the plan changes and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2015	2014
	%	%
Estimated inflation		
Health	8.25	7.90
Dental	4.25	4.50
War veterans	1.50	2.10
WSIB	2.00	1.00
LTDI	1.00	1.00
Wages and salary calculation	0.00	0.00
Discount on accrued benefit obligations		
Sick leave credit gratuity	2.45	3.00
Life, health and dental	2.45	3.00
War veterans	2.45	3.00
WSIB	2.85	3.00
LTDI	2.45	3.00
Sick leave accumulation	N/A	N/A

#### (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, 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, 2015, the Board contributed \$50.1 million (2014 - \$48.5 million) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses and are included in the respective expense categories on the consolidated statement of operations. No pension liability for this type of plan is included in the Board's consolidated statement of financial position.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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

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

(i) Health and dental funds on deposit

The Board has funds held on deposit with Sunlife and Manulife to fund current liabilities for the health and dental plans of the Board in the amount of \$25.5 million (2014 - \$26.5 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 Great West Life to fund current liabilities for the group life insurance plans of the Board in the amount of \$ 10.1 million (\$2014 - \$10.8 million).

(iii) Long term disability funds on deposit

The Board has funds held on deposit with Sunlife and CIBC to fund the long term disability plan of the Board in the amount of \$78.7 million (2014 - \$75.3 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, 2015, \$ Nil (2014 - \$Nil) related to buildings and \$ Nil (2014 - \$0.02 million) related to land were recorded as properties held for sale (PHFS). The net book value of properties reclassified to properties held for sale during the year was \$Nil (2014 - \$4.8 million). Net proceeds of \$0.18 million (2014 - \$94.9 million) were received on the sale of these properties, which had a carrying value of \$0.02 million (2014 - \$6.4 million), resulting in a gain on sale of \$0.16 million (2014 - \$88.5 million). The proceeds from the sale of these properties have been used to fund in-year capital projects, as well as \$0.57 million recognized as revenue mainly to fund sale costs, with an amount remaining in deferred revenue of \$77.5 million, in accordance with Ontario Regulation 193/10.

#### 6. Short-term borrowing

	2015	2014
	\$	\$
95 day Bankers Acceptances bearing interest at 2.02% maturing on September 30, 2014	-	44,296

The Board has incurred short term borrowing at August 31, 2015 in the amount of \$Nil (2014 - \$44.3 million) to provide interim financing for various capital programs.

The Ministry funds 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), (l), (j), (k) and (l)).

The Board has a \$50 million line of credit with a Canadian chartered bank for operating purposes. The amount outstanding as at August 31, 2015 was \$Nil (2014 - \$Nil).

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

### 7. Deferred revenue

The continuity of deferred revenue including those set aside for specific purposes by legislation, regulation or agreement as at August 31, 2015 is as follows:

	Balance, August 31, 2014	Externally restricted revenue and investment income	Revenue recognized in the period	Transfer to/(from) deferred capital contributions	Balance, August 31, 2015
	\$	\$	\$	\$	\$
Special Education	2,880	332,132	334,129	-	883
Other Ministry of Education grants	2,652	30,016	30,672	-	1,996
Other Provincial grants	2,346	31,690	32,497	-	1,539
Tuition fees	18,165	20,066	19,906	-	18,325
Other (operation)	5,827	39,475	37,950	-	7,352
Minor tangible capital assets	-	68,771	61,360	7,411	-
School renewal	12,635	45,432	8,457	36,200	13,410
Interest on capital	-	24,520	24,520	-	-
Temporary accommodation	-	1,440	-	1,440	-
School condition improvement	8,884	29,364	516	24,089	13,643
Retrofitting school space for child care	13,668	180	-	3,827	10,021
Renewable energy	244	-	-	-	244
Ministry of Health - Pool grants	31	-	-	-	31
Proceeds of disposition	96,944	-	-	19,103	77,841
Proceeds of disposition - PHFS	-	180	570	-	(390)
Other	831	24,738	-	24,486	1,083
<b>Total</b>	<b>165,107</b>	<b>648,004</b>	<b>550,577</b>	<b>116,556</b>	<b>145,978</b>

### 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.

	2015	2014
	\$	\$
Balance, beginning of year	1,871,048	1,781,998
Additions to deferred capital contributions	152,068	191,098
Revenue recognized in the period	(109,329)	(10,212)
Transfers to deferred revenue relating to properties held for sale	-	(1,836)
<b>Balance, end of year</b>	<b>1,913,787</b>	<b>1,961,048</b>

Additions to deferred capital contributions includes net proceeds from disposition of properties held for sale in the amount of \$0.2 million (2014 - \$24.2 million).

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

### 9. Net long-term debt

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

		Interest rate	Maturity date	2015	2014
		%		\$	\$
Critical renewal debenture	Note 9(b)	5.07	December 17, 2024	<b>23,934</b>	25,853
Sinking Fund (City of Toronto)	Note 9(c)	6.10	December 12, 2017	<b>75,846</b>	75,846
Less: sinking fund assets	Note 9(c)	-	-	<b>(60,815)</b>	(54,545)
Ontario Financing Authority	Note 9(d)	4.56	November 15, 2031	<b>83,630</b>	86,970
Ontario Financing Authority	Note 9(e)	4.90	March 3, 2033	<b>85,302</b>	88,251
Ontario Financing Authority	Note 9(f)	5.06	March 13, 2034	<b>75,569</b>	77,927
Ontario Financing Authority	Note 9(g)	5.23	April 13, 2035	<b>47,772</b>	49,111
Ontario Financing Authority	Note 9(h)	4.83	March 11, 2036	<b>43,895</b>	45,097
Ontario Financing Authority	Note 9(i)	3.59	March 9, 2037	<b>22,346</b>	23,014
Ontario Financing Authority	Note 9(j)	3.66	June 25, 2038	<b>36,359</b>	37,346
Ontario Financing Authority	Note 9(k)	4.00	March 11, 2039	<b>18,206</b>	18,656
Ontario Financing Authority	Note 9(l)	2.99	March 9, 2040	<b>15,035</b>	-
<b>Balance as at August 31</b>				<b>467,079</b>	473,526

- (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 \$60.8million (2014 - \$54.5 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, 2015 was \$70.0million (2014 - \$63.7 million).
- (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.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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

- (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 June 26, 2013, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$37.8 million (GPL of \$21.2 million and Capital Enveloping (ARC) of \$16.6 million). The loan is repayable by semi-annual installments of principal and interest of \$1.2 million based on a 25 year amortization schedule and bears interest of 3.66%. The annual principal and interest costs are funded by the Ministry of Education.
- (k) On March 12, 2014, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$18.7 million (Prohibit to Repair of \$14.1 million and Capital Priority Program of \$4.6 million). The loan is repayable by semi-annual installments of principal and interest of \$0.6 million based on a 25 year amortization schedule and bears interest of 4.003%. The annual principal and interest costs are funded by the Ministry of Education.
- (l) On March 11, 2015, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$15.0 million (Primary Class Size of \$3.6million and Capital Priority Program of \$11.4 million). The loan is repayable by semi-annual installments of principal and interest of \$0.4 million based on a 25 year amortization schedule and bears interest of 2.993%. The annual principal and interest costs are funded by the Ministry of Education.
- (m) Principal and sinking fund payments relating to net long-term liabilities of \$458.9 million (2014 - \$461.4 million) outstanding as at August 31, 2015 are due as follows:

	Principal and sinking fund contributions	Interest	Total
	\$	\$	\$
2016	18,650	25,397	44,047
2017	19,426	24,621	44,047
2018	20,239	21,495	41,734
2019	18,797	18,329	37,126
2020	19,691	17,436	37,127
Thereafter	362,128	133,407	495,535
	458,931	240,685	699,616

In addition, debenture interest on sinking fund contributions estimated to amount to approximately \$8.1 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.

- (n) Interest on long-term debt amounted to \$25.3 million (2014 - \$25.3 million).

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

### 10. Tangible capital assets

(a) Opening and closing balances with activities for the year ended August 31, 2015

	Gross book value					Accumulated amortization					Net book value	Net book value	
	Balance at September 1, 2014	Additions	Transfers to/from CIP	Transfers to held for sale	Disposal	Balance at August 31, 2015	Balance at September 1, 2014	Amortization	Transfers to held for sale	Disposals, write-offs	Balance at August 31, 2015	Balance at August 31, 2015	Balance at September 1, 2014
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	74,513	780	-	-	-	<b>75,293</b>	-	-	-	-	-	<b>75,293</b>	74,513
Land improvements	71,626	8,322	-	-	-	<b>79,948</b>	25,308	5,722	-	-	<b>31,030</b>	<b>48,918</b>	46,318
Buildings (40 years)	2,918,029	122,296	1,779	-	-	<b>3,042,104</b>	1,132,513	92,959	-	-	<b>1,225,472</b>	<b>1,816,632</b>	1,785,516
Buildings (20 years)	22	-	-	-	-	<b>22</b>	1	1	-	-	<b>2</b>	<b>20</b>	21
Portable structures	31,537	1,507	-	-	-	<b>33,044</b>	8,062	1,635	-	-	<b>9,697</b>	<b>23,347</b>	23,475
Construction in													
Progress (CIP)	6,717	12,420	(1,588)	-	-	<b>17,549</b>	-	-	-	-	-	<b>17,549</b>	6,717
Pre-acquisition building	610	-	(191)	-	(294)	<b>125</b>	-	-	-	-	-	<b>125</b>	610
Equipment (5 years)	6,680	18	-	-	(3,532)	<b>3,166</b>	4,933	1,275	-	(3,532)	<b>2,676</b>	<b>490</b>	1,747
Equipment (10 years)	4,170	435	-	-	(978)	<b>3,627</b>	2,372	422	-	(978)	<b>1,816</b>	<b>1,811</b>	1,798
Equipment (15 years)	3,344	-	-	-	-	<b>3,344</b>	1,923	202	-	-	<b>2,125</b>	<b>1,219</b>	1,421
First time equipping													
(10 years)	7,102	246	-	-	-	<b>7,348</b>	1,861	721	-	-	<b>2,582</b>	<b>4,766</b>	5,241
Furniture (10 years)	1,185	41	-	-	(116)	<b>1,110</b>	642	114	-	(116)	<b>640</b>	<b>470</b>	543
Computer hardware	29,846	5,450	-	-	(4,718)	<b>30,578</b>	15,161	5,885	-	(4,718)	<b>16,328</b>	<b>14,250</b>	14,685
Computer software	2,397	1,039	-	-	(516)	<b>2,920</b>	1,153	539	-	(516)	<b>1,176</b>	<b>1,744</b>	1,244
Vehicles													
(< 10,000 pounds)	2,108	-	-	-	-	<b>2,108</b>	1,347	204	-	-	<b>1,551</b>	<b>557</b>	761
Vehicles													
(> 10,000 pounds)	4,700	428	-	-	-	<b>5,128</b>	3,815	228	-	-	<b>4,043</b>	<b>1,085</b>	885
Leasehold													
improvement - building	5,519	160	-	-	-	<b>5,679</b>	1,486	816	-	-	<b>2,302</b>	<b>3,377</b>	4,033
Leasehold													
improvement - land	379	-	-	-	-	<b>379</b>	83	33	-	-	<b>116</b>	<b>263</b>	296
	<b>3,170,484</b>	<b>153,142</b>	-	-	<b>(10,154)</b>	<b>3,313,472</b>	<b>1,200,660</b>	<b>110,756</b>	-	<b>(9,860)</b>	<b>1,301,556</b>	<b>2,011,916</b>	<b>1,969,824</b>

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(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 (2014 - \$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 consolidated financial statements.

### 11. Accumulated deficit

Accumulated deficit consists of the following:

	2015	2014
	\$	\$
Accumulated deficit		
Working funds	16,633	9,602
Reserves and reserve funds	136,981	132,825
Employee future benefits	(404,228)	(428,848)
Interest accrual	(7,027)	(7,065)
School generated funds	17,249	17,196
Capital grants used on land purchases	75,294	74,531
Liability for contaminated sites	(1,025)	-
	<b>(166,123)</b>	<b>(201,759)</b>

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

	2015	2014
	\$	\$
Special education	736	698
Employee benefit plans	99,960	99,230
School support	17,741	18,316
Sinking fund interest	14,684	12,136
Sinking fund asset provision	595	-
Other	3,265	2,445
	<b>136,981</b>	<b>132,825</b>

### 12. Contractual obligations and commitments

#### (a) Capital, facility renewals and renovations

The Board's commitments for approved capital and facility renewal programs as of August 31, 2015 amounted to \$28.3 million (2014 - \$38.3 million).

#### (b) Other significant obligations

- (i) The Board awarded contracts for student transportation, extended to August 31, 2016. The estimated annual commitment under these contracts is \$50.2 million (2014 - \$48.1 million).
- (ii) The Board is committed to purchase natural gas including transportation through supply contracts with various expiry dates; the latest contract expires on October 31, 2016. The estimated outstanding costs of these contracts are \$11.3 million (2014 - \$1.7 million).



# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

### 12. Contractual obligations and commitments (continued)

#### (b) Other significant obligations (continued)

- (iii) The Board is committed to a Wide Area Network contract which expires December 2020. The estimated annual commitment under this contract is \$6.0 million (2014 - \$5.0 million).
- (iv) The Board is committed to a Multi-Functional Devices contract which expires October 2019. The estimated annual commitment under the contract is \$2.9 million.
- (v) TDSB and School Solar Limited Partnership (SSLP) entered into a Project Agreement on May 18, 2011 and amended on February 3, 2014. The Agreement involves SSLP providing roof replacements to approximately 4 million square feet of roofs, in return for the right to install solar panels on school roofs and benefit from the associated Feed-in Tariff ("FIT") contracts over a 20-year period. Roof betterment projects will be capitalized at cost as completed, with a corresponding increase in deferred capital contributions in accordance with Ontario Regulation 395/11. During fiscal 2015, approximately 2.2 million square feet of roof betterments were completed and capitalized at a cost of \$21.2 million.

### 13. Contingent liabilities

#### Legal claims

The Board has been named as the defendant in certain legal actions, in which damages have been sought. Any losses arising from these actions are recorded in the year that the related litigation is settled or when any likely amounts are measurable. Where the outcomes of actions are not determinable as at August 31, 2015, no provision is made in the consolidated financial statements.

#### Pay equity

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

### 14. Expenses by object

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

	2015	2014
	\$	\$
Expenses		
Salary and wages	2,219,500	2,194,986
Employee benefits	335,351	324,992
Staff development	2,049	2,256
Supplies and services	187,717	182,154
Interest	25,768	26,588
Rental expenses	13,708	15,504
Fees and contract services	103,337	108,063
Other	13,639	4,439
Amortization of tangible capital assets	111,050	101,639
School activities expenditures	42,412	41,982
	<b>3,054,531</b>	<b>3,002,603</b>

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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### 15. Grants for student needs

Included in grants for student needs is an amount of \$1.440 billion (2014 - \$1.461 billion) raised through local property taxation by the Province and transferred to the Board.

### 16. 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 reciprocals 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.

### 17. 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 (2014 - \$20.5 million) in grants in respect of the above agreement for the year ended August 31, 2015, is not recorded in these consolidated financial statements.

### 18. Financial contribution agreements

During 2001-2002, the Board established three joint trust accounts with the Toronto Catholic District School Board pertaining to Education Development Levy Agreements. These Agreements pertain to building developments that pre-date the passing of the Education Development Charges provisions of the Education Act. The total levy amount in these joint trust accounts as at August 31, 2015 is \$64.6 million (2014 - \$64.8 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.

### 19. 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.

### 20. Liability for contaminated sites

A liability for contaminated sites was recorded due to impacts from polycyclic aromatic hydrocarbon and cyanide at one property and conductivity (salt) impact at a second property. The liability was estimated based on a baseline phase II environmental site assessment performed by an environmental consulting firm. The estimated liability is \$1.025 million, and is included in accounts payable and accrued liabilities in the consolidated statement of financial position. No recoveries are expected.

# Toronto District School Board

## Notes to the consolidated financial statements

August 31, 2015

(Tabular amounts in thousands of dollars)

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### 21. Subsequent events

Subsequent to August 31, 2015, The Provincial ETFO and OSSTF teachers unions and provincial CUPE workers and central employer bargaining agent ratified agreements at the central level which include a voluntary retirement gratuity early payout provision. This provision may have a future impact on the board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has not occurred with any union group.

The voluntary retirement gratuity early payout provision provides eligible employees with the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the board's 2015-16 year financial statements. At this time, the change in the liability cannot be estimated as there are no collective agreements in effect and eligible employees have yet to declare their participation in the voluntary retirement gratuity early payout option.