

Consolidated Financial Statements of

**THE UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2008

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2008

Management's Responsibility for the Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying financial statements of The Upper Canada District School Board are the responsibility of Board management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

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

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

Director of Education

Chief Financial Officer

October 31, 2008



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AUDITORS' REPORT

To the Trustees of
The Upper Canada District School Board

We have audited the consolidated statement of financial position of The Upper Canada District School Board as at August 31, 2008 and the consolidated statement of financial activities and consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of The Upper Canada District School Board as at August 31, 2008 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

October 31, 2008

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2008, with comparative figures for 2007

	2008	2007
Financial assets:		
Cash and cash equivalents	\$ —	\$ 10,911,869
Accounts receivable:		
Municipalities	5,017,185	7,035,366
Other	4,719,988	3,033,392
Investments (note 4)	1,580,924	1,519,098
Total financial assets	11,318,097	22,499,725
Financial liabilities:		
Temporary borrowing (note 3)	371,212	12,650,000
Accounts payable and accrued liabilities	13,771,953	22,699,841
Net long-term liabilities (note 7)	76,364,635	63,618,544
Deferred revenue:		
Reserves (note 5)	—	297,245
Other	2,458,535	2,014,934
Employee benefits payable (note 6(g))	45,977,284	42,929,189
Total financial liabilities	138,943,619	144,209,753
Non-financial assets:		
Prepaid expenses	15,160	—
Total non-financial assets	15,160	—
Net liabilities	\$ (127,610,362)	\$(121,710,028)
Financial position:		
Operating Fund	\$ (6,702,936)	\$ (8,215,731)
Capital Fund	(4,544,597)	(12,972,937)
Reserves and reserve funds (schedule)	5,801,807	5,617,798
School Activities Fund	2,661,684	2,683,293
Total Fund balance	(2,784,042)	(12,887,577)
Amounts to be recovered in future years (note 8):		
Net long-term liabilities (note 7)	(77,664,125)	(64,743,110)
Employee benefit obligations (note 6(g))	(47,162,195)	(44,079,341)
	(124,826,320)	(108,822,451)
Commitments and contingent liabilities (notes 11 and 12)		
Net financial position	\$ (127,610,362)	\$(121,710,028)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director of Education

_____ Chair of the Board

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Activities

Year ended August 31, 2008, with comparative figures for 2007

	2008 Budget (Unaudited) (note 1(l))	2008 Actual	2007 Actual
Revenue:			
Local taxation	\$ 68,172,453	\$ 67,642,323	\$ 70,537,261
Provincial grants:			
Student focused funding	235,022,631	238,408,217	225,193,263
Other	1,792,743	4,539,402	4,629,099
Federal grants and fees	2,115,680	2,110,792	1,989,737
Other – school boards	755,000	1,262,147	706,567
Investment income	373,291	550,795	582,545
Other revenue	912,441	5,268,926	4,203,314
School – generated funds	9,000,000	9,816,534	9,542,867
Centre for Education and Training	–	1,412,243	1,148,572
	318,144,239	331,011,379	318,533,225
Expenditure (note 10):			
Instruction	232,243,415	237,924,929	231,373,900
Administration	9,204,230	9,305,343	8,821,034
Transportation	24,776,086	24,382,834	24,065,246
School operations and maintenance	29,916,836	30,700,102	29,643,067
Pupil accommodation	16,328,384	22,949,969	24,439,000
Other	–	404,545	491,766
School activities	9,000,000	9,838,143	9,487,062
Centre for Education and Training	–	1,420,998	1,275,324
	321,468,951	336,926,863	329,596,399
Net expenditure	(3,324,712)	(5,915,484)	(11,063,174)
Increase in prepaid expenses	–	15,160	–
Change in net liabilities	(3,324,712)	(5,900,324)	(11,063,174)
Financing and transfers:			
Long-term financing issued	5,191,360	14,558,685	5,191,360
Debt principal repayments and sinking fund contributions	(1,818,211)	(1,812,595)	(1,661,634)
Change in interest accrual	(33,283)	174,924	–
Change in employee benefits payable	–	3,082,845	3,356,387
Change in amounts to be recovered	3,339,866	16,003,859	6,886,113
Change in fund balances	15,154	10,103,535	(4,177,061)
Opening fund balances	(16,059,463)	(12,887,577)	(8,710,516)
Closing fund balances	\$ (16,044,309)	\$ (2,784,042)	\$ (12,887,577)

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Financial Position

Year ended August 31, 2008, with comparative figures for 2007

	2008	2007
Operations:		
Net expenditure	\$ (5,915,484)	\$ (11,063,174)
Cash provided by (used in):		
Increase in accounts receivable	(365,172)	(1,581,068)
Decrease (increase) in other financial assets	634,931	(108,110)
Increase (decrease) in accounts payable and accrued liabilities	(8,927,888)	2,448,847
Increase (decrease) in deferred revenue - reserves	(297,245)	297,245
Increase in deferred revenue - other	443,597	948,219
Decrease in employee benefits payable	3,048,083	3,229,762
	<u>(5,463,694)</u>	<u>5,234,895</u>
Net decrease in cash from operations	(11,379,178)	(5,828,279)
Financing:		
Long-term liabilities issued	14,558,685	5,191,360
Debt repayment	(1,812,595)	(1,661,634)
Net increase in cash from financing	<u>12,746,090</u>	<u>3,529,726</u>
Increase (decrease) in cash and cash equivalents	1,366,912	(2,298,553)
Cash and cash equivalents, beginning of year	(1,738,131)	560,422
Cash and cash equivalents, end of year	<u>\$ (371,219)</u>	<u>\$ (1,738,131)</u>

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2008

1. Significant accounting policies:

The consolidated financial statements have been prepared by the Board in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants.

(a) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board. Interdepartmental and interorganizational transactions and balances between these organizations are eliminated.

These consolidated financial statements include the Upper Canada Leger Centre for Education and Training, which was incorporated under the Corporations Act of Ontario. The Centre was created to enhance the development, implementation and advancement of community educational and training programs which are not funded by the Ministry of Education.

(b) Trust funds:

Trust funds and their related operations administered by the Board are not included in the consolidated financial statements as they are not controlled by the Board.

(c) Basis of accounting:

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

(d) Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of less than 90 days.

(e) Investments:

Investments consist of marketable securities which are liquid short-term investments with maturities of between three months and one year at the date of acquisition. Investments are recorded on the Consolidated Statement of Financial Position at the lower of cost or market value.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

1. Significant accounting policies (continued):

(e) Investments (continued):

Investments are recorded at lower of cost plus or minus amortization of bond discounts or premiums or market. Interest on the investments is accrued as earned. Gains or losses on the sale of investments are recognized in the year of sale if sold before maturity. Amortization of bond discounts or premiums are accrued over the term of the investment.

(f) Capital assets:

The unaudited historical cost and accumulated amortization of capital assets are solely reported in note 2. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities in the year of acquisition.

(g) 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 are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, worker's 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 costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and 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. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's 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.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

1. Significant accounting principles (continued):

(h) Retirement and other employee future benefits (continued):

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System pension, are the employer's contributions due to the plan in the period.

(iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the period.

(i) Reserves and reserve funds:

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

(j) 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, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(k) Investment income:

Investment income earned on surplus operating funds, capital funds, reserves and reserve funds are reported as revenue in the period earned.

Investment income earned on externally restricted funds such as proceeds of disposition and special education is added to the fund balance and forms part of the respective deferred revenue balances.

(l) 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. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the financial statements.

The Upper Canada District School Board reviews its operating and capital budgets annually. The approved operating and capital budgets for 2008 are reflected on the Schedules of Operating and Capital Fund Operations. Budget figures have not been audited and are presented for information purposes.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

1. Significant accounting principles (continued):

(l) Budget figures (continued):

Budgets established for capital funds are based on a project-oriented basis, the costs of which may be carried out over one or more years.

(m) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the year. Actual results could differ from these current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in net expenditures in the periods in which they become known.

Significant estimates include assumptions used in estimating the collectibility of amounts receivable to determine the allowance for doubtful accounts and in estimating provisions for accrued liabilities and in performing actuarial valuation for employee future benefits payable.

(n) Financial instruments:

The statement of financial position value for accounts receivable, accounts payable and accrued liabilities and deferred revenue approximates fair value because of their limited term. The statement of financial position value of the long-term liabilities approximates fair value because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different.

2. Tangible capital assets (unaudited):

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

For 2008, Public Sector Guideline 7 requires the disclosure of tangible capital asset information in the notes to the financial statements to the extent that reliable information is available. The Board will have detailed information related to furniture, equipment, computer hardware, computer software and vehicles to disclose in the financial statements for the year ended August 31, 2009. Information related to land and buildings summarized below has been obtained from the Ministry of Education for purposes of provincial consolidation. As these amounts were used for purposes of the provincial consolidation, the amounts reported are as of March 31, which is the Province of Ontario's fiscal year-end.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

2. Tangible capital assets (unaudited) (continued):

Tangible capital assets will be recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development. Estimated historical cost was used to record existing tangible capital assets, if the actual cost was unknown when the Board first started to prepare to implement tangible capital asset accounting.

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

Rate	Useful lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
Other buildings	20 years

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

Cost (Unaudited)	Balance at March 31, 2007	Additions	Disposals, write-offs and adjustments	Balance at March 31, 2008
Land	\$ 3,639,847	\$ 274,884	\$ -	\$ 3,914,731
Land improvements	1,698,524	1,886,642	-	3,585,166
Buildings (40 years)	240,133,717	17,507,337	-	257,641,054
Portable structures	4,668,800	-	(224,700)	4,444,100
Construction-in-progress	-	4,498,709	-	4,498,709
Pre-acquisition costs	-	111,242	-	111,242
Total	\$250,140,888	\$ 24,278,814	\$ (224,700)	\$ 274,195,002

Accumulated amortization (Unaudited)	Balance at March 31, 2007	Amortization	Disposals, write-offs and adjustments	Balance at March 31, 2008
Land improvements	\$ 59,359	\$ 176,276	\$ -	\$ 235,635
Buildings (40 years)	62,748,780	6,537,736	-	69,286,516
Portable structures	3,714,570	222,835	(224,700)	3,712,705
Construction-in-progress	-	-	-	-
Pre-acquisition costs	-	-	-	-
Total	\$ 66,522,709	\$ 6,936,847	\$ (224,700)	\$ 73,234,856

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

2. Tangible capital assets (unaudited) (continued):

	Net book value March 31, 2008	Net book value March 31, 2007
Land	\$ 3,914,731	\$ 3,639,847
Land improvements	3,349,531	1,639,165
Buildings (40 years)	188,354,538	177,384,937
Portable structures	731,395	954,230
Construction-in-progress	4,498,709	-
Pre-acquisition costs	111,242	-
Total	\$ 200,960,146	\$ 183,618,179

3. Temporary borrowing:

The Board's financing agreement with its bank provides for an operating credit facility as follows:

Facility (1): The Board has a revolving demand loan of up to \$25,000,000 to finance operations, with 3,696,268 balance drawn as at August 31, 2008.

Facility (2): The Board has a revolving term loan of up to \$15,000,000 (2007 - \$15,000,000) to finance capital expenditures under the Ministry of Education's Good Places to Learn Program, with \$Nil (2007 - \$11,500,000) utilized as at August 31, 2008.

Facility (3): The Board has a revolving facility by way of a series of term loans of up to \$4,000,000 (2007 - \$4,000,000) for the acquisition of capital assets with \$Nil (2007 - \$1,150,000) utilized as at August 31, 2008.

4. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2008 Market value	Cost	2007 Market value
Fixed income securities	\$ 1,580,924	\$ 1,575,179	\$ 1,519,098	\$ 1,519,098

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

5. Deferred revenue:

The use of certain reserve funds is restricted by the provincial government regulations and referred to as an obligatory reserve. It is a requirement of the public sector accounting principles of the Canadian Institute of Chartered Accountants that these reserve funds be reported as deferred revenue.

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

	2008	2007
Proceeds of disposition	\$ -	\$ 297,245

The proceeds of disposition deferred revenue is composed of proceeds from the sale of land, surplus schools, and administration buildings.

6. Employee benefits payable:

Retirement benefits:

(a) Ontario Teachers' Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teachers' Pension Plan. The pension costs and obligations related to this plan are a direct responsibility of the Province of Ontario and, therefore, employer contributions for these employees are provided directly by the Province of Ontario. Accordingly, no costs or liabilities related to this plan are included in the Board's financial statements.

(b) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board that meet the OMERS/Board approval criteria 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 contributions equal the employee contributions to the plan. During the year ended August 31, 2008, the Board contributed \$2,934,125 (2007 - \$2,761,119) 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 required to be included in the Board's financial statements.

(c) Accrued vacation pay:

Compensated vacation pay is accrued for employees as entitlement to these payments is earned in accordance with the Board's benefit plans for vacation time. Vacation credits earned as of August 31, 2008 amount to \$1,184,911 (2007 - \$1,150,150) and are reported as part of the accounts payable and accrued liabilities.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

6. Employee benefits payable (continued):

(d) Retirement gratuities and other employee future benefits:

Retirement gratuities:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The amount of the gratuities paid to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at retirement. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are included in the Board's financial statements. Employees who were employed by one of the predecessor boards and continuously employed in the Board after amalgamation retain entitlement to the retirement gratuity provisions in the predecessor board's collective agreement.

The amount of the accrued benefit payable for retirement gratuities has been actuarially determined using the Projected Unit Credit Actuarial Cost Method pro-rated on services as at August 31, 2008 and is \$29,555,491 (2007 - \$27,711,133).

For teachers, principals, and vice-principals hired by the Upper Canada District School Board since amalgamation, the amount of the gratuity depends on the salary at retirement, accumulated sick days at retirement, and years of service at retirement. The collective agreements provide for lump sum payments in cases where employees cease to be employed because of age or ill health and where the employee will be receiving a pension.

CUPE employees hired after amalgamation also have a retiring allowance provision where the Board allocates \$500 each year for five years, upon successful completion of two years of service. The benefit to the employee is dependent on the value of the allocation plus interest at the time of retirement.

Accumulated sick leave:

The Board provides accumulated sick leave benefits to certain groups of employees. Under the plan, employees can accumulate unused sick leave days available for use in future years. The Board provides these benefits through an unfunded defined benefit plan. The amount of the accrued benefit payable for accumulated sick leave that does not vest has, however, been actuarially determined using the Projected Unit Credit Actuarial Cost Method as at August 31, 2008 and is \$14,488,460 (2007 - \$13,712,803).

The significant assumptions adopted in estimating the Board's accrued employee future benefits payable are as follows:

	2008	2007
	%	%
Rate of return on plan assets	6.25	6.25
Wage and salary escalation	3.75	3.75 ¹
Discount on accrued benefit obligations	4.75	4.75
Accumulated sick leave usage rate	3.0-9.5	3.00-9.5

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

6. Employee benefits payable (continued):

(d) Retirement gratuities and other employee future benefits (continued):

Accumulated sick leave (continued):

¹ Salary growth 3.75% per annum for five years; 3.5% per annum plus experience-related increases for members of the Ontario Teachers' Pension Plan.

As detailed on the Schedule of Reserves and Reserve Funds, the Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totalled \$983,747 at August 31, 2008 (2007 - \$828,788).

Post-retirement benefits:

Senior administration members may elect to continue coverage of health insurance and/or dental insurance and life insurance if they wish. The board will pay 100% of the cost for a 5 year period after retirement but no later than age 65. The amount of the accrued benefit payable for post retirement benefits has been actuarially determined using the Projected Unit Credit Actuarial Cost Method pro-rated on services as at August 31, 2008 and is \$227,336 (2007 - \$217,448).

Retirement gratuities and other employee future benefits:

			2008	2007
	Retirement Gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued benefit liability, September 1	\$ 27,711,133	\$ 13,930,251	\$ 41,641,384	\$ 38,395,080
Current year benefit cost	2,732,779	1,292,934	4,025,713	3,887,527
Net amortization of actuarial losses (gains)	698,585	496,349	1,194,934	1,195,566
Interest on accrued benefit obligation	1,700,947	929,955	2,630,902	2,547,138
Benefits paid for the period	(3,287,953)	(1,933,693)	(5,221,646)	(4,383,927)
Accrued benefit liability, August 31	\$ 29,555,491	\$ 14,715,796	\$ 44,271,287	\$ 41,641,384
Net employee future benefit expenses ¹	\$ 1,844,358	\$ 785,545	\$ 2,629,903	\$ 3,246,304

¹ Excluding pension contributions to the Ontario Municipal Employees Retirement System, a multi-employer pension plan, described above.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

6. Employee benefits payable (continued):

(d) Retirement gratuities and other employee future benefits (continued):

The accrued benefit liability at August 31 includes the following components:

	2008	2007
Accrued benefit obligation	\$ 55,661,687	\$ 53,972,514
Unamortized actuarial losses	(11,390,400)	(12,331,130)
	<u>\$ 44,271,287</u>	<u>\$ 41,641,384</u>

Employee benefits obligations:

Employee benefits obligations are comprised of:

	2008	2007
Retirement gratuities	\$ 36,139,907	\$ 34,720,608
Accumulated sick leave – non-vesting and other post-retirement benefits	19,521,780	19,251,906
	<u>\$ 55,661,687</u>	<u>\$ 53,972,514</u>

Other employee future benefits:

(e) 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 recognizes WSIB payments on a claim basis rather than on a premium basis and reports such claims as expenditures in the year in which the payments are made. The Board carries catastrophic risk insurance and has a reserve fund established for these liabilities which amounted to \$1,580,924 as at August 31, 2008 (2007 - \$1,519,098).

The amount of liability for WSIB that was actuarially determined as at August 31, 2008 is \$1,705,997 (2007 - \$1,287,805).

(f) Long-term disability life insurance:

The Board provides employees on long-term disability leave the opportunity to purchase life insurance. The Board is responsible for the remittance of life insurance premiums paid by the employee under this plan if they choose to continue the coverage.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

6. Employee benefits payable (continued):

(g) Employee benefits payable:

Employee benefits payable are comprised of:

	2008	2007
Retirement gratuities	\$ 29,555,491	\$ 27,711,133
Other employee future benefits	14,715,796	13,930,251
Workplace Safety and Insurance Board obligations	1,705,997	1,287,805
	45,977,284	42,929,189
Accrued vacation pay	1,184,911	1,150,150
	\$ 47,162,195	\$ 44,079,339

7. Net long-term liabilities:

Net long-term liabilities reported on the Consolidated Statement of Financial Position comprise the following:

	2008	2007
Debentures	\$ 76,364,635	\$ 63,618,544
Interest accrual	1,299,490	1,124,566
	\$ 77,664,125	\$ 64,743,110

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

7. Net long-term liabilities (continued):

The debentures totalling \$76,364,635 (2007 - \$63,618,544) consist of the following:

	2008	2007
Series 2004-A1 amortizing debenture payable, bearing interest at 5.483% blended principal and interest payments of \$1,005,845 payable semi-annually starting May 26, 2005, principal payable November 26, 2029	\$ 25,222,088	\$ 25,825,909
Series 2003-A1 10 year sinking fund debenture payable, bearing interest at 5.30% payable semi-annually starting May 4, 2004, sinking fund annual contributions of \$149,302 starting November 7, 2004, principal payable November 7, 2013	10,264,645	10,436,325
Series 2003-A2 amortizing debenture payable, bearing interest at 5.80%, blended principal and interest payments of \$537,077 payable semi-annually starting May 7, 2004, principal payable November 7, 2028	12,783,909	13,102,665
No. GFR96 – 001 Global instalment debenture, bearing interest ranging from 3.625% to 7.75% for 1997 to 2016, payable December 5 and June 5, principal payments December 5 every year in variable instalments based on debenture agreement dated December 5, 1996	1,839,000	1,980,000
No. FRG1998 – 001 Global instalment debenture, bearing interest ranging from 5.4% to 6.95% for 1999 to 2018, payable March 13 and September 13, principal payments March 13 every year in variable instalments based on debenture agreement dated March 13, 1998	6,679,000	7,139,000
Amortizing debenture payable, bearing interest at 4.56% payable semi-annually starting May 15, 2007, principal payable November 15, 2031	5,017,308	5,134,645
Amortizing debenture payable, bearing interest at 4.90% payable semi-annually starting May 15, 2008, principle payable March 3, 2033	14,558,685	–
	\$ 76,364,635	\$ 63,618,544

These debentures are secured by sinking fund assets of \$650,215 (2007 - \$478,535).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

7. Net long-term liabilities (continued):

Principal and interest payments relating to the Board's debentures outstanding as at August 31, 2008 are due as follows:

	Principal	Interest	Total
2008-2009	\$ 2,049,726	\$ 4,215,004	\$ 6,264,730
2009-2010	2,169,103	4,095,186	6,264,289
2010-2011	2,295,645	3,967,419	6,263,064
2011-2012	2,430,578	3,831,812	6,262,390
Thereafter	68,069,798	31,478,362	99,548,160
	77,014,850	47,587,783	124,602,633
Less: equity in sinking fund	(650,215)	–	(650,215)
	\$ 76,364,635	\$ 47,587,783	\$ 123,952,418

8. Amounts to be recovered in future years:

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

	2008	2007
Capital outlay to be recovered in future years:		
Net long-term debt (note 7)	\$ (76,364,635)	\$ (63,618,544)
Interest accrual	(1,299,490)	(1,124,566)
Amounts to be financed in future years:		
Retirement and other employee future benefits liability (note 6)	(45,977,284)	(42,929,189)
Accrued vacation pay	(1,184,911)	(1,150,152)
	\$ (124,826,320)	\$ (108,822,451)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

9. Debt principal repayments and interest on long-term liabilities:

The expenditure for debt principal repayments and interest payments on long-term liabilities as recorded in pupil accommodation is:

	2008	2007
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 1,793,167	\$ 1,643,085
Interest payments on long-term liabilities	3,745,967	2,909,627
	<u>\$ 5,539,134</u>	<u>\$ 4,552,712</u>

10. Expenditures by object:

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

	2008 Actual	2007 Actual
Operating fund expenditures by object:		
Salary and wages	\$ 209,216,029	\$ 202,121,329
Employee benefits	34,511,052	33,110,432
Staff development	1,627,231	1,267,039
Supplies and services	20,694,687	22,372,681
Replacement furniture and equipment	1,143,828	1,343,024
Interest	4,215,598	3,764,315
Rental expenditures	1,195,473	1,108,284
Fees and contract services	30,505,592	29,640,313
Other	542,127	805,971
Capital expenditures	22,016,105	23,300,625
School activities	9,838,143	9,487,062
Centre for Education and Training	1,420,998	1,275,324
	<u>\$ 336,926,863</u>	<u>\$ 329,596,399</u>

11. Ontario School Board Insurance Exchange (OSBIE):

The school board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2008

12. Commitments and contingent liabilities:

(a) Litigation:

The Board is involved with pending litigation and claims which arose in the normal course of operations. In the opinion of the administration, any liability that may arise from such contingencies would not have a significant adverse effect on the financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

(b) Education Improvement Commission:

On December 22, 1998, the Education Improvement Commission issued its order for the division of assets and liabilities. In regard to this order, the Board is required to convey \$250,000 annually until January 1, 2008 to Le Conseil scolaire des écoles publiques de l'est de l'Ontario. Final payment was made January 1, 2008, therefore no continuing liability.

(c) Construction:

The Upper Canada District School Board has entered into contract commitments related to the construction of Russell High School for a total estimated contract price of \$13,543,502 with expenditures of \$8,825,298, incurred as of August 31, 2008 (2007 - \$1,181,793).

13. Trust funds:

Trust funds administered by the Board amounting to \$2,637,879 (2007 - \$2,530,795) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities", in accordance with Public Sector Accounting Board's requirements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Operating Fund

Year ended August 31, 2008, with comparative figures for 2007

	2007-2008 Budget (unaudited) (Note 1(l))	2007-2008 Actual	2006-2007 Actual
Revenues:			
Local taxation	\$ 68,172,453	\$ 67,642,323	\$ 70,537,261
Provincial legislative grants	235,022,631	238,408,217	225,193,263
Provincial grants – other	1,792,743	4,539,402	4,629,099
Federal grants and fees	2,115,680	2,110,792	1,989,737
Other revenues – school boards	755,000	1,262,147	706,567
Other fees and revenues	912,441	4,958,582	4,105,584
Investment income	277,995	446,457	499,725
Centre for Education and Training	–	1,412,243	1,148,572
	<u>309,048,943</u>	<u>320,780,163</u>	<u>308,809,808</u>
Expenditures:			
Instruction	231,441,434	235,081,669	229,010,735
Administration	9,189,030	9,220,899	8,626,782
Transportation	24,776,086	24,382,834	24,065,246
School operations and maintenance	29,691,836	30,521,935	29,548,226
Pupil accommodation	4,041,362	4,039,735	3,790,633
Other	–	404,545	491,766
Centre for Education and Training	–	1,420,998	1,275,324
	<u>299,139,748</u>	<u>305,072,615</u>	<u>296,808,712</u>
Net revenues	<u>9,909,195</u>	<u>15,707,548</u>	<u>12,001,096</u>
Increase in prepaid expenses	–	15,160	–
Increase in non-financial assets	–	15,160	–
Debt principal repayments	(1,818,211)	(1,812,595)	(1,661,634)
Increase (decrease) in unfunded expense for employee benefit obligations	(33,283)	3,257,769	3,356,387
Change in amounts to be recovered	(1,851,494)	1,445,174	1,694,753
Net transfers to other funds:			
Capital fund	(6,529,203)	(15,575,416)	(10,164,511)
Reserve funds	–	(79,671)	(1,829,654)
Net transfers to other funds	<u>(6,529,203)</u>	<u>(15,655,087)</u>	<u>(11,994,165)</u>
Change in operating fund balance	<u>1,528,498</u>	<u>1,512,795</u>	<u>1,701,684</u>
Opening balance – operating fund	(8,212,052)	(8,215,731)	(9,917,415)
Closing balance – operating fund	<u>\$ (6,683,554)</u>	<u>\$ (6,702,936)</u>	<u>\$ (8,215,731)</u>

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Capital Fund

Year ended August 31, 2008, with comparative figures for 2007

	2007-2008 Budget (unaudited) (Note 1(l))	2007-2008 Actual	2006-2007 Actual
Revenue:			
Other	\$ -	\$ 310,344	\$ 97,730
Expenditures:			
Instruction	801,981	2,843,260	2,363,165
Administration	15,200	84,444	194,252
School operations and maintenance	225,000	178,167	94,841
Pupil accommodation	12,287,022	18,910,234	20,648,367
	13,329,203	22,016,105	23,300,625
Net expenditures	(13,329,203)	(21,705,761)	(23,202,895)
Long-term financing	5,191,360	14,558,685	5,191,360
Change in amounts to be recovered	5,191,360	14,558,685	5,191,360
Net transfers from other funds:			
Operating fund	6,529,203	15,575,416	10,164,511
Net transfers from other funds	6,529,203	15,575,416	10,164,511
Change in capital fund balance	(1,608,640)	8,428,340	(7,847,024)
Opening balance – capital fund	(12,717,158)	(12,972,937)	(5,125,913)
Closing balance – capital fund	\$ (14,325,798)	\$ (4,544,597)	\$ (12,972,937)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Reserves and Reserve Funds

Year ended August 31, 2008, with comparative figures for 2007

	2007-2008 Budget (unaudited) (Note 1(l))	2007-2008 Actual	2006-2007 Actual
Revenue:			
Investment income	\$ 95,296	\$ 104,338	\$ 82,820
Net transfers from other funds:			
Transfers from operations	–	79,671	1,829,654
Net transfers from other funds	–	79,671	1,829,654
Change in reserve and reserve fund balance	95,296	184,009	1,912,474
Opening balance – reserve fund	2,242,259	5,617,798	3,705,324
Closing balance – reserve fund	\$ 2,337,555	\$ 5,801,807	\$ 5,617,798

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Reserves and Reserve Funds

Year ended August 31, 2008

	Classroom reserve	Working funds	Retirement gratuities	Workplace safety insurance	Other capital	Total
Opening balance	\$ 1,552,825	\$ 1,619,125	\$ 828,788	\$ 1,519,098	\$ 97,962	\$ 5,617,798
Transfer to reserves	1,565,448	67,926	193,000	–	1,744	1,828,118
Transfer from reserves	(1,552,825)	(119,125)	(76,497)	–	–	(1,748,447)
Interest on reserves	–	–	38,456	61,826	4,057	104,339
Ending balance	\$ 1,565,448	\$ 1,567,926	\$ 983,747	\$ 1,580,924	\$ 103,763	\$ 5,801,808

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Schedule of School Activities Fund

Year ended August 31, 2008, with comparative figures for 2007

	2007-2008 Budget (unaudited) (Note 1(l))	2007-2008 Actual	2006-2007 Actual
Revenues:			
Elementary schools fundraising and other revenues	\$ 5,000,000	\$ 5,194,442	\$ 4,941,507
Secondary schools fundraising and other revenues	4,000,000	4,622,092	4,601,360
Total school fundraising and other revenues	9,000,000	9,816,534	9,542,867
Expenditures:			
School funded activities	9,000,000	9,838,143	9,487,062
Change in school activities fund	–	(21,609)	55,805
Opening balance – school activities fund	2,627,488	2,683,293	2,627,488
Closing balance – school activities fund	\$ 2,627,488	\$ 2,661,684	\$ 2,683,293