

Consolidated Financial Statements of

**THE UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2011

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2011

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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

November 23, 2011



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INDEPENDENT AUDITORS' REPORT

To the Trustees of Upper Canada District School Board

We have audited the accompanying consolidated financial statements of Upper Canada District School Board, which comprise the consolidated statement of financial position as at August 31, 2011, the consolidated statements of operations and accumulated deficit, change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The consolidated financial statements have been prepared by management based on the financial reporting provisions described in note 1(c) to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of accounting described in note 1(c) 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation 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 audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Upper Canada District School Board as at August 31, 2011, and its consolidated results of operations and changes in its consolidated net debt and consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to note 1(c) to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared to assist the Upper Canada District School Board to meet the requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slightly slanted font. A horizontal line is drawn underneath the signature.

Chartered Accountants, Licensed Public Accountants

November 23, 2011

Kingston, Canada

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2011, with comparative figures for 2010

	2011	2010 (Restated, note 2)
Financial assets:		
Cash	\$ 21,268,327	\$ 14,544,365
Accounts receivable:		
Municipalities	8,495,995	8,591,806
Government of Ontario – approved capital grants (note 3)	93,532,094	87,887,087
Other	4,448,214	2,822,680
Investments (note 6)	1,743,547	1,681,591
Other assets	17,402	10,987
Total financial assets	129,505,579	115,538,516
Financial liabilities:		
Accounts payable and accrued liabilities	26,221,986	27,813,800
Net long-term liabilities (note 10)	92,098,494	77,341,149
Deferred revenue (note 7)	7,615,085	8,030,346
Employee benefits payable (note 9(g))	51,896,394	50,199,337
Deferred capital contributions (note 8)	233,813,769	221,150,199
Total financial liabilities	411,645,728	384,534,831
Net debt	(282,140,149)	(268,996,315)
Non-financial assets:		
Tangible capital assets (note 4)	244,827,542	232,753,782
Total non-financial assets	244,827,542	232,753,782
Accumulated deficit	\$ (37,312,607)	\$ (36,242,533)

Commitments and contingent liabilities (notes 13 and 14)

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 Operations and Accumulated Deficit

Year ended August 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited) (note 16)	2011 Actual	2010 Actual (Restated, note 2)
Revenue:			
Local taxation	\$ 72,234,142	\$ 72,617,512	\$ 77,461,599
Provincial grants:			
Student focused funding	239,300,779	236,731,408	304,776,458
Other	4,644,340	6,423,415	7,939,503
Federal grants and fees	2,702,373	2,348,389	2,703,592
Other – school boards	620,395	589,576	554,011
Investment income	164,136	385,374	169,260
Other revenue	2,024,169	7,143,523	5,897,488
School – generated funds	10,028,063	7,682,714	8,887,977
Amortization of deferred capital contributions	10,623,606	11,304,371	10,041,862
	<u>342,342,003</u>	<u>345,226,282</u>	<u>418,431,750</u>
Expenses (note 12):			
Instruction	247,120,926	254,669,735	247,780,465
Administration	11,147,125	9,164,753	9,284,395
Transportation	24,895,761	24,639,718	24,535,210
Pupil accommodation	45,129,418	46,625,117	45,894,429
Other	–	3,844,753	2,626,336
School activities	10,135,215	7,352,280	8,872,461
	<u>338,428,445</u>	<u>346,296,356</u>	<u>338,993,296</u>
Annual surplus (deficit)	3,913,558	(1,070,074)	79,438,454
Accumulated deficit, beginning of year	(39,491,412)	(36,242,533)	(115,680,987)
Accumulated deficit, end of year (note 17)	\$ (35,577,854)	\$ (37,312,607)	\$ (36,242,533)

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010 (Restated, note 2)
Annual surplus (deficit)	\$ (1,070,074)	\$ 79,438,453
Acquisition of tangible capital assets	(23,869,659)	(22,922,882)
Amortization of tangible capital assets	11,254,570	10,390,993
Loss on sale of tangible capital assets	–	48,010
Proceeds on sale of tangible capital assets	300,445	819,582
Less: proceeds allocated to deferred revenue (gains on sale)	(171,113)	(160,620)
Write-downs of tangible capital assets	411,997	–
	(12,073,760)	(11,824,917)
Change in net debt	(13,143,834)	67,613,536
Net debt, beginning of year	(268,996,315)	(336,609,851)
Net debt, end of year	\$ (282,140,149)	\$ (268,996,315)

The accompanying notes are an integral part of these financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010 (Restated, note 2)
Operating transactions:		
Annual surplus (deficit)	\$ (1,070,074)	\$ 79,438,454
Cash provided by (used in):		
Non-cash items including amortization, write-downs and gain on disposal	11,666,569	10,278,380
Deferred gain on disposal of restricted assets	(171,113)	-
Increase in accounts receivable	(7,174,730)	(92,894,377)
Increase in other financial assets	(6,415)	(49,405)
Increase (decrease) in accounts payable and accrued liabilities	(1,591,816)	11,054,175
Increase (decrease) in deferred revenue	(415,261)	11,042,297
Increase in employee benefits payable	1,697,057	2,393,168
Increase in deferred capital contributions	12,663,570	4,452,398
Cash provided by operating transactions	15,597,787	25,715,090
Capital transactions:		
Proceeds on sale of tangible capital assets	300,445	819,583
Cash used to acquire tangible capital assets	(23,869,659)	(22,922,882)
Cash applied to operating transactions	(23,569,214)	(22,103,299)
Investing transactions:		
Increase in long-term investments	(61,955)	-
Cash applied to investing transactions	(61,955)	-
Financing transactions:		
Long-term liabilities issued	17,508,723	2,336,338
Debt repayment	(2,751,379)	(2,544,031)
Cash provided by (applied to) financing transactions	14,757,344	(207,693)
Increase in cash	6,723,962	3,404,098
Cash, beginning of year	14,544,365	11,140,267
Cash, end of year	\$ 21,268,327	\$ 14,544,365

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2011

1. Significant accounting policies:

The consolidated financial statements of the Upper Canada District School Board (the "Board") are prepared by management in accordance with Canadian Public Sector Accounting Standards. Significant accounting policies of the Board are as follows:

(a) 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.

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.

These consolidated financial statements also include the Upper Canada District School Board Champions for Kids Foundation.

The Board's consolidated financial statements reflect school generated funds, which include the assets, liabilities, revenue and expenses of various organizations that exist at the school level and are controlled by the Board.

(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:

These consolidated financial statements have been prepared in accordance with Ontario Regulation 196/10 which requires school boards to comply with all regulations, policies, guidelines, directives and similar instruments. In 2004, directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". The Ontario Ministry of Education provided direction on the adoption of this new standard in memorandum 2011:B08. The Ontario Ministry of Education required the implementation of this Government Transfers standard on a retroactive basis as described in Note 2 to the consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting policies (continued):

(c) Basis of accounting (continued):

The Ministry direction requires school boards to record a liability (deferred capital contribution) equal to the amount of the net book value of the depreciable assets at September 1, 2010 that have been Ministry approved. This direction, therefore, results in property tax revenue which was used to acquire or construct depreciable capital assets prior to 1998 when school boards ceased to have taxing authority, being afforded the same treatment as government capital grants, which is to recognize related revenue over the remaining useful life of the asset as disclosed in Note 2. Under the Public Sector Accounting Standards, property tax revenue should be recorded as revenue when received or receivable in accordance with Public Sector Accounting Standard PS 3510 "Tax Revenue".

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

(d) Cash:

Cash 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 at cost which approximates market value.

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) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year end and are not intended for sale in the ordinary course of operations.

Tangible capital assets:

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset, as well as interest related to financing during construction. When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

Tangible capital assets (continued):

Tangible capital assets, except land, are amortized on a straight-line basis over their estimated useful lives as follows:

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
Other buildings	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5-10 years
Leasehold improvements	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 for improvements to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and the carrying value is written down to its residual value.

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

(g) Deferred revenue:

The Board receives certain amounts pursuant to legislation, regulation or agreement that may only be used for certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

The Board also receives restricted contributions under the authority of provincial legislation, regulation or agreement. These funds by their nature are restricted in their use, and until applied to applicable expenses, are recorded as deferred revenue. Amounts applied to qualifying costs are recorded as revenue in the fiscal period that they are expended.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting policies (continued):

(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 gratuities, 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 cost 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.

- (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) Accumulated surplus – available for compliance, internally appropriated:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

1. Significant accounting policies (continued):

(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.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

(k) Investment income:

Investment income is reported as revenue in the period earned.

Investment income earned on externally appropriated funds such as pupil accommodation, energy efficient schools capital, proceeds of disposition and special education, when required by the funding government or related Act, 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 original 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 they are used to prepare the financial statements.

The Upper Canada District School Board approves its budget annually. The approved budget for 2010-2011 is reflected on the Consolidated Statement of Operations and Accumulated Surplus.

Budgets established for capital are based on a project-oriented basis, the costs of which may be carried out over one or more years. Capitalization of assets, amortization and disposal were not contemplated in the development of the budget.

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, 2011

1. Significant accounting policies (continued):

(m) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(c) 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 consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates. Significant estimates include assumptions used in:

- (i) estimating the collectability of accounts receivable to determine the allowance for doubtful accounts,
- (ii) estimating provisions for accrued liabilities,
- (iii) performing actuarial valuations of employee future benefits liabilities, and
- (iv) estimating useful lives of tangible capital assets.

These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the period in which they become known.

(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. Change in accounting policies:

In fiscal 2011, the Board adopted early Public Sector Accounting Handbook Section 3410 *Government Transfers* as described in note 1(c). This change has been applied retroactively and prior periods have been restated. Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

2. Change in accounting policies (continued):

At the direction of the Ontario Ministry of Education (“Ministry”), the Board has calculated the opening DCC balance as at September 1, 2010 as the value of the depreciable tangible capital assets less the unsupported capital debt, both at August 31, 2010. The unsupported capital debt is the portion of the board’s outstanding debt that is not supported by Ministry funding. This calculation provides a cost effective solution to determine the opening balance, allowing for the standard to be implemented retroactively. Retroactive implementation results in a set of financial statements that is relevant, understandable to the user, and comparable over periods and amongst school boards in Ontario.

This change in accounting policy has changed amounts reported in the prior period as follows:

	2010
Annual surplus for the year ended August 31, 2010:	
Annual surplus, as previously reported	\$ 92,755,762
Prior year transportation expense adjustment	(436,288)
Add: Amounts recognized in revenue	10,041,862
Less: In-year Provincial capital contributions	(22,922,882)
Annual surplus, as restated	\$ 79,438,454
Accumulated surplus at August 31, 2010:	
Accumulated surplus, as previously reported	\$ 185,980,134
Transfer to deferred capital contributions	(221,150,202)
Transfer of net book value of disposed assets to deferred revenue	(636,178)
Prior year transportation expense adjustment	(436,288)
Accumulated surplus (deficit), as restated	\$ (36,242,534)

3. Accounts receivable – Government of Ontario:

The Province of Ontario (the “Province”) replaced variable capital funding with a one-time debt support grant that was recognized in 2010. The Board receives this grant in cash over the remaining term of the existing capital debt instruments.

The Board has an account receivable from the Province of \$93,532,094 as at August 31, 2011 (2010 - \$87,887,087) with respect to capital grants.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

4. Tangible capital assets:

Cost	Balance at August 31, 2010	Additions and transfers	Disposals, write-offs and adjustments	Balance at August 31, 2011
Land	\$ 3,914,731	\$ –	\$ –	\$ 3,914,731
Land improvements	3,656,197	755,768	–	4,411,965
Buildings	283,078,539	24,949,856	1,800,794	306,227,601
Other buildings	–	16,000	–	16,000
Portable structures	2,084,400	–	724,400	1,360,000
First-time equipping of schools	2,498,041	466,483	–	2,964,524
Furniture	636,410	44,477	33,724	647,163
Equipment	4,678,368	1,931,747	105,499	6,504,616
Computer hardware	8,716,854	3,509,946	835,171	11,391,629
Computer software	3,837,291	106,130	1,513,454	2,429,967
Vehicles	366,654	93,426	73,268	386,812
Construction in progress	13,746,136	(7,532,749)	–	6,213,387
Pre-acquisition costs	1,008,420	(554,937)	–	453,483
Leasehold improvements	–	83,512	–	83,512
Total	\$ 328,222,041	23,869,659	\$ 5,086,310	\$ 347,005,390

Accumulated amortization	Balance at August 31, 2010	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2011
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	640,872	268,940	–	909,812
Buildings	84,273,999	7,775,731	1,671,463	90,378,267
Other buildings	–	400	–	400
Portable structures	1,800,974	85,891	724,400	1,162,465
First-time equipping of schools	1,220,363	273,128	–	1,493,491
Furniture	300,639	64,179	33,724	331,094
Equipment	1,154,407	486,974	105,499	1,535,882
Computer hardware	3,487,552	2,010,848	835,171	4,663,229
Computer software	2,442,044	626,726	1,513,454	1,555,316
Vehicles	147,409	61,821	73,268	135,962
Leasehold improvements	–	11,930	–	11,930
Total	\$ 95,468,259	\$ 11,666,568	\$ 4,956,979	\$ 102,177,848

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

4. Tangible capital assets (continued):

Net book value	Net book value August 31, 2010	Net book value August 31, 2011
Land	\$ 3,914,731	\$ 3,914,731
Land improvements	3,015,325	3,502,153
Buildings	198,804,540	215,849,334
Other buildings	–	15,600
Portable structures	283,426	197,535
First-time equipping of schools	1,277,678	1,471,033
Furniture	335,771	316,069
Equipment	3,523,961	4,968,734
Computer hardware	5,229,302	6,728,400
Computer software	1,395,247	874,651
Vehicles	219,245	250,850
Construction in progress	13,746,136	6,213,387
Pre-acquisition costs	1,008,420	453,483
Leasehold improvements	–	71,582
Total	\$ 232,753,782	\$ 244,827,542

Included in the disposals, write-offs and adjustments column are adjustments of \$Nil for the period for building assets permanently removed from service in the year and adjustments of \$Nil that pertain to building assets permanently removed from service that were demolished during the year.

5. 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 (2010 - \$25,000,000) to finance operations, with a \$Nil (2010 - \$Nil) balance drawn as at August 31, 2011.
- Facility (2): The Board has a revolving facility by way of a series of term loans of up to \$6,000,000 (2010 - \$6,000,000) for the acquisition of capital assets with \$Nil (2010 - \$Nil) utilized as at August 31, 2011.
- Facility (3): The Board has a non-revolving term facility of up to \$12,800,000 (2010 - \$12,800,000) to temporarily finance Vankleek Hill Collegiate Institute new school construction with \$Nil utilized as at August 31, 2011.
- Facility (4): The Board has a non-revolving term loan of up to \$10,000,000 (2010 - \$10,000,000) to finance capital expenditures under the Ministry of Education's Good Places to Learn Program, with \$Nil (2010 - \$Nil) utilized as at August 31, 2011.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

6. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2011 Market value	Cost	2010 Market value
Fixed income securities	\$ 1,743,547	\$ 1,811,994	\$ 1,681,591	\$ 1,741,266

7. Deferred revenue:

Deferred revenue consists of amounts received by the Board that are restricted for specific purposes by the funder and amounts are required to be set aside by the Board for specific purposes by legislation, regulation or agreement.

Deferred revenue has been set aside for specific purposes by legislation, regulation or agreement as at August 31, 2011 and is comprised of:

	Balance as at August 31, 2010	Externally restricted revenue and investment income	Revenue recognized in the period	Transferred to deferred capital contributions	Balance as at August 31, 2011
Capital:					
Proceeds of disposition (restated)	\$ 799,674	300,445	—	150,281	\$ 949,838
Energy Efficient Schools	383,762	4,781,043	—	4,791,919	372,886
Green Schools Pilot	712,208	—	—	674,748	37,460
Other	—	19,267,275	8,929,236	10,240,637	97,402
Total deferred revenue - capital	1,895,644	24,348,763	8,929,236	15,857,585	1,457,586
Operating:					
Special education	2,630,053	44,147,947	43,904,875	—	2,873,125
Other	1,894,766	1,411,443	1,966,104	—	1,340,105
Third party	1,609,883	370,715	36,329	—	1,944,269
Total deferred revenue - operating	6,134,702	45,930,105	45,907,308	—	6,157,499
Total deferred revenue	\$ 8,030,346	\$ 70,278,868	\$ 54,836,544	\$ 15,857,585	\$ 7,615,085

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

7. Deferred revenue:

The Proceeds of Disposition deferred revenue is from the sale of buildings and reflects the gross proceeds.

The Reserve for Special Education is specifically for Special Equipment Amount (SEA) Training which was funded in 2010-11 and is committed to be spent in 2011-12.

The energy efficient schools and green schools pilot deferred revenue are funding programs that pertain to any amounts deferred for future projects to reduce energy consumption in schools.

8. Deferred capital contributions:

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions (DCC). Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. The Ministry provided direction to the school boards in the establishment of the opening balance of the deferred capital contributions as disclosed in note 2.

	2011	2010
Balance, beginning of year	\$ 221,150,199	\$ 208,269,179
Additions to deferred capital contributions	23,869,657	22,922,882
Revenue recognized in the period	(11,076,756)	(10,041,862)
Disposals/transfer to financial assets	(129,331)	-
Balance, end of year	\$ 233,813,769	\$ 221,150,199

9. Employee benefits payable:

Retirement benefits:

(a) Ontario Teachers' Pension Plan:

Qualified teachers 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.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

9. Employee benefits payable (continued):

(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. On January 1, 2010 employee contribution rates were 6.4% on earnings up to the CPP earnings limit for 2010 (\$47,200) and 9.7% on earnings over the CPP earnings limit. On January 1, 2011 employee contributions were increased to 7.4% on earnings up to the CPP earnings limit for 2011 (\$48,300) and 10.7% on earnings over the CPP earnings limit. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2011, the Board contributed \$3,273,059 (2010 - \$2,977,833) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's 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, 2011 amount to \$1,555,891 (2010 - \$1,497,586) and are reported as part of the accounts payable and accrued liabilities.

(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, 2011 and is \$35,174,717 (2010 - \$33,575,653).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

9. Employee benefits payable (continued):

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

Retirement gratuities (continued):

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. 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.

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, 2011 and is \$14,864,150 (2010 - \$14,986,904).

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, 2011 and is \$260,922 (2010 - \$275,668).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

9. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

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

	2011	2010
	%	%
Rate of return on plan assets	6.25	6.25
Wage and salary escalation	3.0 ¹	3.0 ¹
Discount rate of net benefit costs	4.7	4.75
Discount rate on accrued benefit obligation end of period	4.0	—
Dental benefits	6.0 ²	6.0 ²
Health benefits	10.0 ³	10.0 ³

¹ Salary growth 3.0% per annum.

² Dental benefits escalation 6% in 2009-2010 decreasing by 0.5% per annum to an ultimate rate of 4%.

³ Health benefits escalation 10% in 2009-2010 decreasing linearly to 4.5% in 2025-26 and 4.5% thereafter.

As detailed in the Accumulated Surplus Available for Compliance – Internally Appropriated Surplus, the Board has designated surplus for certain of these employee future benefit obligations. The balance totalled \$1,340,304 at August 31, 2011 (2010 - \$1,246,589).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

9. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

			2011	2010
	Retirement Gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued benefit liability, September 1	\$ 33,575,653	\$ 15,262,572	\$ 48,838,225	\$ 46,245,877
Current year benefit cost	2,538,624	1,000,343	3,538,967	3,619,179
Net amortization of actuarial losses (gains)	622,540	444,783	1,067,323	1,191,833
Interest on accrued benefit obligation	1,819,396	866,684	2,686,080	2,710,335
Benefits paid for the period	(3,381,496)	(2,449,310)	(5,830,806)	(4,928,999)
Accrued benefit liability, August 31	\$ 35,174,717	\$ 15,125,072	\$ 50,299,789	\$ 48,838,225
Net employee future benefit expenses ¹	\$ 1,599,064	\$ (137,500)	\$ 1,461,564	\$ 2,592,348

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, 2011

9. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

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

	2011	2010
Accrued benefit obligation	\$ 60,471,337	\$ 55,925,508
Unamortized actuarial losses	(10,171,548)	(7,087,283)
	<u>\$ 50,299,789</u>	<u>\$ 48,838,225</u>

Employee benefits obligations are comprised of:

	2011	2010
Retirement gratuities	\$ 41,268,405	\$ 37,455,193
Accumulated sick leave – non-vesting and other post-retirement benefits	19,202,932	18,470,315
	<u>\$ 60,471,337</u>	<u>\$ 55,925,508</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 \$1,743,547 as at August 31, 2011 (2010 - \$1,681,591).

The amount of liability for WSIB that was actuarially determined as at August 31, 2011 is \$1,596,605 (2010 - \$1,361,112).

(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, 2011

9. Employee benefits payable (continued):

(g) Employee benefits payable:

Employee benefits payable are comprised of:

	2011	2010
Retirement gratuities	\$ 35,174,717	\$ 33,575,653
Other employee future benefits	15,125,072	15,262,572
Workplace Safety and Insurance Board obligations	1,596,605	1,361,112
	51,896,394	50,199,337
Accrued vacation pay	1,555,891	1,497,586
	\$ 53,452,285	\$ 51,696,923

10. Net long-term liabilities:

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

	2011	2010
Debentures	\$ 92,098,494	\$ 77,341,149
Interest accrual	1,504,768	1,303,430
	\$ 93,603,262	\$ 78,644,579

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

10. Net long-term liabilities (continued):

The debentures totalling \$93,546,260 (2010 - \$78,454,815) consist of the following:

	2011	2010
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 up to November 26, 2029	\$ 23,201,691	\$ 23,911,896
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 up to November 7, 2013	10,914,860	10,914,860
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 up to November 7, 2028	11,710,629	12,089,027
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	1,353,000	1,526,000
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	5,110,000	5,667,000
Amortizing debenture payable, bearing interest at 4.56% payable semi-annually starting May 15, 2007, principal payable up to November 15, 2031	4,631,815	4,766,147
Amortizing debenture payable, bearing interest at 4.90% payable semi-annually starting May 15, 2008, principal payable up to March 3, 2033	13,578,381	13,921,089
Amortizing debenture payable, bearing interest at 5.062% payable semi-annually starting May 15, 2009, principal payable up to March 13, 2034	3,248,091	3,322,458
Amortizing debenture payable, bearing interest at 5.232% payable semi-annually starting May 15, 2010, principal payable up to April 13, 2035	2,289,070	2,336,338
Amortizing debenture payable, bearing interest at 4.833% payable semi-annually starting May 16, 2011, principal payable up to March 11, 2036	2,909,537	—
Carry forward	78,947,074	78,454,815

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

10. Net long-term liabilities (continued):

	2011	2010
Carry forward	\$ 78,947,074	\$ 78,454,815
Amortized debenture payable, bearing interest at 4.833% payable semi-annually starting May 16, 2011, principle payable up to March 11, 2036	3,020,410	–
Amortized debenture payable, bearing interest at 4.833% payable semi-annually starting May 16, 2011, principle payable up to March 11, 2036	11,578,775	–
	\$ 93,546,259	\$ 78,454,815

Series 2003-A1 debentures are secured by sinking fund assets of \$1,447,765 (2010 - \$1,113,765).

Principal and interest payments relating to the Board's debentures outstanding as at August 31, 2011 are due as follows:

	Principal	Interest	Total
2011-2012	\$ 2,935,524	\$ 4,956,071	\$ 7,891,595
2012-2013	3,104,178	4,786,848	7,891,026
2013-2014	5,446,836	4,318,289	9,765,125
2014-2015	3,473,215	3,838,339	7,311,554
2015-2016	3,675,280	3,635,854	7,311,134
Thereafter	74,911,226	30,815,997	105,727,223
	93,546,259	52,351,398	145,897,657
Less: equity in sinking fund	(1,447,765)	–	(1,447,765)
Net long-term liabilities	\$ 92,098,494	\$ 52,351,398	\$ 144,449,892

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

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

Debt principal repayments and interest payments on long-term liabilities includes:

	2011	2010
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 2,716,582	\$ 2,539,147
Interest payments on long-term liabilities	4,406,992	4,276,447
	<u>\$ 7,123,574</u>	<u>\$ 6,815,594</u>

12. Expenses by object:

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

	2011 Actual	2010 Actual
Operating expenses by object:		
Salary and wages	\$ 221,523,949	\$ 216,888,508
Employee benefits	35,242,175	34,858,452
Staff development	1,761,911	1,357,471
Supplies and services	23,920,410	28,854,119
Interest	4,608,330	4,266,855
Rental expenses	1,484,869	1,063,643
Fees and contract services	34,827,577	29,759,141
Other	595,911	251,890
Amortization, write-downs, loss on disposal	11,666,567	10,439,000
School activities	7,352,280	8,872,461
Centre for Education and Training	3,312,377	2,381,756
	<u>\$ 346,296,356</u>	<u>\$ 338,993,296</u>

13. 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, 2011

14. 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) Construction:

The Upper Canada District School Board has commitments related to the construction (including cost of demolition) of Vankleek Hill Collegiate Institute for a total preliminary estimated cost of \$15,000,794 with expenditures of \$15,261,832, incurred as of August 31, 2011 (2010 - \$13,798,052).

The Upper Canada District School Board has commitments related to the construction of North Grenville District High School for the preliminary estimated cost of \$17,357,952 with expenses of \$6,216,377 incurred as of August 31, 2011 (2010 - \$876,467).

15. Trust funds (unaudited):

Trust funds administered by the Board amounting to \$3,088,835 (2010 - \$2,705,193) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus", in accordance with Public Sector Accounting Board's requirements.

16. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on July 14, 2010. The budget was prepared in June 2010, prior to the release of the Government Transfer standard, which was released in March 2011. As a result, there are some changes in how the DCC taken into income is calculated for the Financial Statements, versus for the budget. This includes the treatment of sinking fund interest and other components. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As boards only budget the Statement of Operations, the budget figures in the Consolidated Statement of Change in Net Debt have not been provided.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

16. Budget data (continued):

Consolidated Statement of Operations Year ended August 31, 2011

	2010-2011 Budget (unaudited)	Change	2010-2011 Budget (restated, note 2 unaudited)
Revenue:			
Total revenue as in the 2010-11 budget	\$ 342,447,251	–	\$ –
Deduct: Adjustment due to adoption of government transfer standard (note 2)	–	(105,248)	–
Total revenue	342,447,251	(105,248)	342,342,003
Total expenses	338,428,445		338,428,445
Annual surplus	4,018,806		3,913,558
Accumulated surplus (deficit), beginning of year	188,309,505		(39,491,412)
Change in accounting policy – DCC	(227,800,917)		–
Accumulated surplus (deficit), end of year	\$ (35,472,606)	\$ (105,248)	\$ (35,577,854)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

17. Accumulated surplus:

Accumulated surplus consists of the following:

	2011	2010
Available for compliance – unappropriated		
Total operating accumulated surplus	\$ 3,326,329	\$ 3,141,974
Available for compliance – internally appropriated		
Retirement gratuities	1,340,304	1,246,589
Workers' Safety Insurance Board (WSIB)	1,743,547	1,681,591
Other purpose - operating	3,809,284	2,213,074
Other purpose - capital	588,067	1,966,715
Committed sinking fund interest	66,461	67,855
Total accumulated surplus available for compliance	10,873,992	10,317,798
Unavailable for compliance – externally appropriated		
Employee future benefits	(51,896,395)	(50,199,338)
Interest accrued	(1,504,768)	(1,303,429)
Vacation accrued	(1,555,891)	(1,497,586)
School generated funds	2,855,726	2,525,292
Revenue recognized for land	3,914,730	3,914,731
Total externally appropriated	(48,186,598)	(46,560,330)
Total accumulated deficit	\$ (37,312,606)	\$ (36,242,532)

18. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2011.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2011

19. Transportation consortium:

The Board is a member of the Student Transportation of Eastern Ontario (STEO) consortium with the Catholic District School Board of Eastern Ontario, effective November 18, 2009. The consortium provides joint governance and administration of student transportation services provided to students registered with the two coterminous boards.

The consortium is not a separate legal entity. Under the agreement, the boards are equally represented on a governance committee and an administration committee who oversee the operations of the student transportation services. The boards maintain and pay their school bus contracts and are reimbursed by the other board for their students using buses under those contracts using a per-determined allocation formula. The consortium's start-up administration costs are also to be shared by each board on a prorate basis.

In the year, the Board paid \$118,992 (2010 - \$107,731), and received \$318,713 (2010 - \$284,491), relating to reimbursement for student transportation services received from, and provided to, the Catholic District School Board of Eastern Ontario. These amounts are included in transportation expenses and other school board revenue respectively on the statement of operations. The Board's share of the consortium start-up administration costs of \$82,837 are also included in the 2011 transportation expense.