

Consolidated Financial Statements of

**UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2013

UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2013

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MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

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

The preparation of consolidated 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

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

Original Signed
Director of Education

Original Signed
Superintendent of Business

(date) *November 13, 2013*



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Upper Canada District School Board

We have audited the accompanying consolidated financial statements of the Upper Canada District School Board, which comprise the consolidated statement of financial position as at August 31, 2013, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in note 1 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 of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



Opinion

In our opinion, the consolidated financial statements of the Upper Canada District School Board as at August 31, 2013, are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the consolidated financial statements.

Emphasis of Matter

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

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 13, 2013

Ottawa, Canada

UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2013, with comparative figures for 2012

	2013	2012
Financial assets:		
Cash	\$ 34,338,020	\$ 27,639,040
Accounts receivable:		
Municipalities	8,247,327	7,610,684
Government of Ontario - approved capital grants (note 3)	100,581,949	101,973,987
Other	3,962,549	4,930,826
Investments (note 6)	1,862,590	1,796,063
Other assets	27,212	128,368
Total financial assets	149,019,647	144,078,968
Financial liabilities:		
Temporary borrowings (note 5)	–	15,450,000
Accounts payable and accrued liabilities	22,964,071	21,420,265
Net long-term liabilities (note 10)	103,851,599	90,944,214
Deferred revenue (note 7)	17,707,737	11,877,407
Employee benefits payable (note 9)	36,243,693	39,459,824
Deferred capital contributions (note 8)	242,184,750	243,355,457
Total financial liabilities	422,951,850	422,507,167
Net debt	(273,932,203)	(278,428,199)
Non-financial assets:		
Prepaid expenses	3,480,461	806,424
Tangible capital assets (note 4)	252,147,466	253,783,136
Total non-financial assets	255,627,927	254,589,560
Contingent liabilities (notes 13 and 14)		
Accumulated deficit	\$ (18,304,276)	\$ (23,838,639)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

Original Signed Director of Education

Original Signed Chair of the Board

UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Deficit

Year ended August 31, 2013, with comparative figures for 2012

	2013 Budget	2013 Actual	2012 Actual
Revenue:			
Municipal grants	\$ 71,091,372	\$ 72,984,925	\$ 72,508,627
Government of Ontario grants:			
Student focused funding	240,084,717	238,539,079	243,559,576
Other	12,069,245	13,582,276	7,411,101
Federal grants and fees	2,382,001	2,064,888	2,460,979
Other - school boards	280,000	254,003	432,182
Investment income	442,923	535,967	330,705
Other revenue	5,558,960	7,881,706	6,811,837
School - generated funds	7,352,280	6,478,509	7,419,456
Amortization of deferred capital contributions	12,159,009	12,175,631	12,179,014
Deferred capital contributions on disposal of unrestricted and restricted assets	–	783,573	–
	<u>351,420,507</u>	<u>355,280,557</u>	<u>353,113,477</u>
Expenses (note 12):			
Instruction	259,371,517	259,410,957	249,014,506
Administration	9,035,103	9,231,136	9,457,670
Transportation	23,434,615	24,151,593	24,569,836
Pupil accommodation	48,036,833	48,568,535	46,382,989
Other	3,027,906	2,201,359	2,912,952
School activities	7,352,280	6,182,614	7,301,556
	<u>350,258,254</u>	<u>349,746,194</u>	<u>339,639,509</u>
Annual surplus	1,162,253	5,534,363	13,473,968
Accumulated deficit, beginning of year	(15,657,148)	(23,838,639)	(37,312,607)
Accumulated deficit, end of year (note 16)	\$ (14,494,895)	\$ (18,304,276)	\$ (23,838,639)

See accompanying notes to the consolidated financial statements.

UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2013, with comparative figures for 2012

	2013	2012
Annual surplus	\$ 5,534,363	\$ 13,473,968
Tangible capital assets:		
Acquisition of tangible capital assets	(11,787,289)	(21,484,580)
Amortization of tangible capital assets	12,512,049	12,139,609
Loss on sale of tangible capital assets	698,623	9,053
Proceeds on sale of tangible capital assets	212,287	15,324
Write-downs of tangible capital assets	–	365,000
	1,635,670	(8,955,594)
Prepaid expenses	(2,674,037)	(806,424)
Change in net debt	4,495,996	3,711,950
Net debt, beginning of year	(278,428,199)	(282,140,149)
Net debt, end of year	\$ (273,932,203)	\$ (278,428,199)

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

UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2013, with comparative figures for 2012

	2013	2012
Operating transactions:		
Annual surplus	\$ 5,534,363	\$ 13,473,968
Items not involving cash:		
Amortization of tangible capital assets	12,512,049	12,139,609
Loss on disposal of tangible capital assets	698,623	374,053
Amortization of deferred capital contributions	(12,175,631)	(12,154,637)
Change in non-cash assets and liabilities:		
Decrease in accounts receivable	331,634	402,699
Decrease (increase) in other financial assets	101,156	(110,966)
Increase (decrease) in accounts payable and accrued liabilities	1,543,806	(4,801,721)
Increase in deferred revenue	5,830,330	4,262,322
Decrease in employee benefits payable	(3,216,131)	(12,436,570)
Increase in prepaid expenses	(2,674,037)	(806,424)
Cash provided by (applied to) operating transactions	8,486,162	342,333
Capital transactions:		
Proceeds on disposal of tangible capital assets	212,287	15,324
Cash used to acquire tangible capital assets	(11,787,289)	(21,484,580)
Cash applied to capital transactions	(11,575,002)	(21,469,256)
Investing transactions:		
Change in investments	(66,527)	(52,516)
Financing transactions:		
Change in temporary borrowings	(15,450,000)	15,450,000
Long-term liabilities issued	16,407,796	2,122,225
Debt principal repayments and sinking fund contributions	(3,500,413)	(3,276,505)
Change in accounts receivable – approved capital grants	1,392,038	(8,441,893)
Additions to deferred capital contributions	11,004,926	21,696,325
Cash provided by financing transactions	9,854,347	27,550,152
Change in cash	6,698,980	6,370,713
Cash, beginning of year	27,639,040	21,268,327
Cash, end of year	\$ 34,338,020	\$ 27,639,040

See accompanying notes to the consolidated financial statements.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2013

1. Significant accounting policies:

The consolidated financial statements of the Upper Canada District School Board (the "Board") are prepared by management in accordance with the basis of accounting described below. The consolidated financial statements contain the following significant accounting policies:

(a) Basis of accounting:

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

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

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

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

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with public sector accounting standard PS3100; and
- property taxation revenue be reported as revenue when received or receivable in accordance with public sector accounting standard PS3510.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

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

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues and expenses 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.

The consolidated financial statements include the following organizations:

- (i) Student Transportation of Eastern Ontario (STEO): STEO is accounted for using the proportionate consolidation method of accounting and reporting, whereby the Board's pro-rata share of each of the assets, liabilities, revenues and expenses is combined on a line-by-line basis in the consolidated financial statements. The Board is a member of STEO with the Catholic District School Board of Eastern Ontario. STEO is a not-for-profit organization separately incorporated without share capital under the laws of Ontario. STEO's principal activity is to facilitate, organize and deliver safe, effective and efficient school transportation services to students in the eastern Ontario area on behalf of the member school boards.
- (ii) Upper Canada Leger Centre for Education and Training (UCLC): UCLC is deemed to be controlled by the Board, therefore the assets, liabilities, revenues, expenses, and net assets of UCLC have been reflected in the consolidated financial statements. UCLC 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.
- (iii) School generated funds: the assets, liabilities, revenues, expenses, and fund balances of various organizations that exist at the school level and which are deemed to be controlled by the Board, have been reflected in the consolidated financial statements.
- (iv) Champions for Kids Foundation: the Foundation is deemed to be controlled by the Board, therefore the assets, liabilities, revenues, expenses, and net assets of the Foundation have been reflected in the consolidated financial statements. Champions for Kids was created to help level the playing field for children of struggling families.

Interdepartmental and inter-organizational transactions and balances are eliminated in these consolidated financial statements.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(c) 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.

(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 have interest rates that range from 3.15% to 5.25%.

(f) Investment income:

Interest on 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.

Investment income earned on externally appropriated funds such as pupil accommodation, special education, energy efficient schools capital and proceeds of disposition, when required by the funding government or related Act, is added to the fund balance and forms part of the respective deferred revenue balances.

(g) 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 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. The Board capitalizes interest paid on debt used to finance the construction of tangible capital assets. When historical cost records were not available, other methods were used to estimate the cost and accumulated amortization.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(g) Non-financial assets (continued):

Tangible capital assets (continued):

Tangible capital assets, excluding 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. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Other assets permanently removed from service cease to be amortized and the carrying value is written down to the residual value.

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

(h) Deferred revenue:

The Board receives 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.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(i) Deferred capital contributions:

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions of depreciable tangible capital assets received or receivable for use in providing services, are recorded as deferred capital contributions when the asset is acquired as required under Ontario Regulation 395/11 of the Financial Administration Act. Amounts are recognized into revenue at the same rate as the related tangible capital asset is amortized.

(j) 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, retirement allowance, worker's compensation and long-term disability benefits. The Board accrues its obligation for these employee benefits.

In 2013, changes were made to the Board's short-term leave and disability plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) In prior years, the cost of retirement gratuities that vested or accumulated over the periods of service provided by the employee were actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement and discount rates. As a result of the plan change, the cost of retirement gratuities was actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates.
- (ii) The changes resulted in a plan curtailment and any unamortized actuarial gains and losses were recognized as at August 31, 2012. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining services life of the employee group.
- (iii) For self insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

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

(i) (continued):

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 pensions, 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.

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

Certain amounts, as approved by the Board 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.

(l) 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 the purchase or development of tangible capital assets are recorded as deferred capital contributions as described in note 1(i).

(m) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees.

The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model.

The Board approves its budget annually. The approved operating budget for 2012-2013 is reflected on the consolidated statement of operations and accumulated deficit. The budget was approved on June 20, 2012.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

1. Significant accounting policies (continued):

(n) Long-term debt:

Long-term debt is recorded net of related sinking fund asset balances.

(o) Use of estimates:

The preparation of consolidated financial statements in conformity with the basis of accounting described in note 1(a) 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 performing actuarial valuations of employee future benefit liabilities.

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

2. Change in accounting policy:

On September 1, 2012, the Board adopted Public Sector Accounting Standard *PS 3510 – Tax Revenue*. The standard was adopted retrospectively. The new standard provides guidance on the entities who are able to record tax revenue on their financial statements.

Under *PS 3510*, only the entity that levies the tax will record tax revenue in their financial statements. All other entities who receive revenue from taxes as transfers from other parties will record these amounts as grants in their financial statements.

As a result of adopting *PS 3510*, the Board now records the tax revenue received from Municipalities as Municipal grants.

3. Accounts receivable – Government of Ontario – Approved capital grants:

The Province of Ontario (the “Province”) replaced variable capital funding with a one-time debt support grant that was recognized in 2009-10. The Board received a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board receives this grant in cash over the remaining term of the existing capital debt instruments. The Board may also receive yearly capital grants to support capital programs which would be reflected in this account receivable.

The Board has an account receivable from the Province of \$100,581,949 as at August 31, 2013 (2012 - \$101,973,987) with respect to capital grants.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

4. Tangible capital assets:

Cost	Balance at August 31, 2012	Additions and transfers	Disposals, write-offs and adjustments	Balance at August 31, 2013
Land	\$ 3,918,152	\$ -	\$ -	\$ 3,918,152
Land improvements	5,042,478	1,149,514	-	6,191,992
Buildings	330,064,711	9,095,764	(2,531,165)	336,629,310
Other buildings	30,988	-	-	30,988
Portable structures	1,360,000	-	(335,600)	1,024,400
First-time equipping of schools	3,307,469	423,047	-	3,730,516
Furniture	1,122,181	50,847	(129,743)	1,043,285
Equipment	7,848,357	547,422	(78,726)	8,317,053
Computer hardware	11,076,711	278,816	(1,054,567)	10,300,960
Computer software	1,810,019	154,211	(615,975)	1,348,255
Vehicles	451,095	77,350	(78,833)	449,612
Pre-acquisition costs	502,748	10,318	-	513,066
Leasehold improvements	83,512	-	-	83,512
Total	\$ 366,618,421	\$ 11,787,289	\$ (4,824,609)	\$ 373,581,101

Accumulated amortization	Balance at August 31, 2012	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2013
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	1,224,960	374,482	-	1,599,442
Buildings	98,696,921	8,333,676	(1,618,528)	105,412,069
Other buildings	1,575	1,549	-	3,124
Portable structures	1,230,465	58,808	(335,600)	953,673
First-time equipping of schools	1,807,091	351,899	-	2,158,990
Furniture	357,547	108,273	(129,743)	336,077
Equipment	2,035,180	721,352	(78,726)	2,677,806
Computer hardware	6,005,019	2,137,767	(1,054,567)	7,088,219
Computer software	1,261,565	315,828	(615,975)	961,418
Vehicles	179,171	84,554	(80,560)	183,165
Leasehold improvements	35,791	23,861	-	59,652
Total	\$ 112,835,285	\$ 12,512,049	\$ (3,913,699)	\$ 121,433,635

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

4. Tangible capital assets (continued):

Net book value	Net book value August 31, 2012	Net book value August 31, 2013
Land	\$ 3,918,152	\$ 3,918,152
Land improvements	3,817,518	4,592,550
Buildings	231,367,790	231,217,242
Other buildings	29,413	27,864
Portable structures	129,535	70,727
First-time equipping of schools	1,500,378	1,571,525
Furniture	764,634	707,208
Equipment	5,813,177	5,639,247
Computer hardware	5,071,692	3,212,741
Computer software	548,454	386,837
Vehicles	271,924	266,447
Pre-acquisition costs	502,748	513,066
Leasehold improvements	47,721	23,860
Total	\$ 253,783,136	\$ 252,147,466

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

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 facility by way of loans, overdrafts and bankers' acceptances of up to \$25,000,000 (2012 - \$25,000,000) to finance operations, with \$Nil (2012 - \$Nil) utilized as at August 31, 2013.
- Facility (2): The Board has a revolving demand facility by way of letters of credit and letters of guarantee of up to \$5,000,000 (2012 - \$5,000,000) for the purpose of providing security for obligations to third parties with \$Nil (2012 - \$Nil) utilized as at August 31, 2013.
- Facility (3): The Board has a revolving facility by way of a series of fixed-rate term loans of up to \$6,000,000 (2012 - \$6,000,000) to finance capital expenditures (technology refresh), with \$Nil (2012 - \$Nil) utilized as at August 31, 2013.
- Facility (4): The Board has a revolving term facility of up to \$1,300,000 (2012 - \$18,000,000) to finance the remaining new school construction of North Grenville High School project, with \$Nil (2012- \$15,450,000) utilized as at August 31, 2013.
- Facility (5): The Board has a revolving term facility of up to \$19,300,000 (2012 - \$12,000,000) associated with the Full Day Kindergarten project, with \$Nil (2012- \$Nil) utilized as at August 31, 2013.
- Facility (6): The Board has a revolving term facility of up to \$7,000,000 (2012 - \$Nil) to finance construction of a school in Kemptville, with \$Nil (2012- \$Nil) utilized as at August 31, 2013.
- Facility (7): The Board has a revolving term facility of up to \$7,500,000 (2012 - \$Nil) to finance construction of a school in Cornwall, with \$Nil (2012- \$Nil) utilized as at August 31, 2013.

6. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2013 Market value	Cost	2012 Market value
Fixed income securities	\$ 1,862,590	\$ 1,866,413	\$ 1,796,063	\$ 1,888,310

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

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, 2013 and is comprised of:

	Balance as at August 31, 2012	Externally restricted revenue and investment income	Transferred to deferred capital contributions	Revenue recognized in the period	Balance as at August 31, 2013
Capital:					
Proceeds of disposition	\$ 917,414	\$ 190,359	\$ 45,112	\$ –	\$ 1,062,661
Energy Efficient Schools	28,111	–	28,111	–	–
School renewal	994,031	6,745,568	2,547,283	1,089,905	4,102,411
School condition improvement	806,041	3,007,749	3,002,803	–	810,987
Third party	176,058	86,124	20,218	–	241,964
Retrofitting school space for child care	–	1,018,200	914,611	–	103,589
Minor tangible capital assets	–	7,676,519	920,547	6,755,972	–
Interest on capital	–	4,801,290	132,491	4,668,799	–
Temporary accommodations	–	804,439	–	804,439	–
Total deferred revenue - capital	2,921,655	24,330,248	7,611,176	13,319,115	6,321,612
Operating:					
Special education	3,942,933	44,304,397	–	43,303,184	4,944,146
Special education – Full Day Kindergarten	–	1,492,167	–	1,492,167	–
Other	1,931,548	1,840,699	–	1,490,519	2,281,728
Third party	3,081,271	1,080,045	–	1,065	4,160,251
Total deferred revenue - operating	8,955,752	48,717,308	–	46,286,935	11,386,125
Total deferred revenue	\$ 11,877,407	\$ 73,047,556	\$ 7,611,176	\$ 59,606,050	\$ 17,707,737

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

The Energy Efficient Schools deferred revenue pertains to any amounts deferred for future projects to reduce energy consumption in schools.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

7. Deferred revenue (continued):

The School Renewal and School Condition Improvement deferred revenue are funding allocations that address costs of repairing and renovating schools. Spending plans are in place for 2013-14.

The deferred revenue for Special Education is for unspent regular Special Education and formula-based Special Equipment Amount (SEA) funding.

The third party deferred revenue relates to primarily UCLC balances of \$4,050,566 due to consolidation.

8. Deferred capital contributions:

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with regulation 395/11 that have been expended by year end. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

	2013	2012
Balance, beginning of year	\$ 243,355,457	\$ 233,813,769
Additions to deferred capital contributions	11,915,837	21,705,378
Revenue recognized in the period	(12,175,631)	(12,139,313)
Disposals/transfer to financial assets	(910,911)	(24,377)
Balance, end of year	\$ 242,184,752	\$ 243,355,457

9. 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, retirement allowance, worker's compensation and long-term disability benefits.

(a) Plan changes:

During the year, further changes were made to the short term leave and disability plan. Under the new short term leave and disability plan, up to 11 unused sick leave days may be carried forward into the following year only, to be used to top-up benefits received under the short term leave and disability plan in that year. A new provision was established as of August 31, 2013 representing the expected usage of sick days that have been carried forward for benefit top-up in the following year.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

9. Retirement and other employee future benefits (continued):

(a) Plan changes (continued):

Retirement life insurance, health and dental benefits have been grandfathered to existing retirees and employees who retired between September 1, 2012 and August 31, 2013. Effective September 1, 2013, any new retiree accessing retirement life, health or dental benefits will pay the full premiums for such benefits and will be included in a separate experience pool for participating retirees that is self-funded.

(b) Retirement benefits:

(i) The Ontario Teacher's Pension Plan:

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

(ii) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board who meet the OMERS and Board approved 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, 2013, the Board contributed \$4,263,068 (2012 - \$3,934,194) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

9. Retirement and other employee future benefits (continued):

(b) Retirement benefits (continued):

(iii) Retirement gratuity benefits:

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are 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 gratuities paid to eligible employees at retirement is now based on their salary, accumulated sick days, and years of service as at August 31, 2012. The changes to the Board's retirement gratuity plan resulted in a one-time increase to the Board's obligation of \$114,583 and a corresponding curtailment loss was reported in the consolidated statement of operations and accumulated deficit as at August 31, 2012.

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, 2013 and is \$34,489,877 (2012 - \$36,903,232).

(c) Other employee future benefits:

(i) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act.

The Board 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 \$1,862,590 as at August 31, 2013 (2012 - \$1,796,063).

The amount of liability for WSIB that was actuarially determined as at August 31, 2013 is \$1,320,970 (2012 - \$2,293,520).

The Putting Students First Act, requires the Board to provide a salary top-up for employees receiving payments from the Workplace Safety and Insurance Board, where previously negotiated collective agreements included such provision.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

9. Retirement and other employee future benefits (continued):

(c) Other employee future benefits:

(ii) 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, 2013 amount to \$1,396,816 (2012 - \$1,405,145) and are reported as part of the accounts payable and accrued liabilities.

(iii) Accumulated sick leave:

As a result of the plan changes, the Board's liability related to compensated absences from sick leave accumulations was eliminated, resulting in a one-time reduction to the obligation of \$15,756,761 and a corresponding curtailment gain was reported in the consolidated statement of operations and accumulated deficit as at August 31, 2012.

As a result of plan changes made during 2013 to the short term leave and disability plan, a maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$330,875 (2012 - \$Nil).

(iv) 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.

(v) Post-employment life insurance and health care benefits:

Effective September 1, 2013, employees retiring on or after this date, will no longer qualify for Board subsidized premiums.

(vi) Retiring allowance:

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. As a result of the plan changes, employees no longer accumulate the retiring allowance, and no employees who began employment with the Board after August 31, 2012 will be entitled to the benefit. The amount of the accrued benefit payable for retirement allowances has been actuarially determined as at August 31, 2012 and are included in accrued liabilities.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

9. Retirement and other employee future benefits (continued):

(d) Actuarial assumptions:

The accrued benefit obligations for employee future benefit plans as at August 31, 2013 are based on the most recent actuarial valuation completed for accounting purposes as at October 23, 2013.

These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2013	2012
Discount rate	3.0%	3.0%
Salary growth	0.0%	0.0%
Dental benefits escalation	4.0%	4.0%
Health benefits escalation	8.5% for 2012-2013, decreasing linearly to 4.5% in 2029-2030 and 4.5% thereafter	8.5% for 2012-2013, decreasing linearly to 4.5% in 2029-30 and 4.5% thereafter

(e) Other financial information:

Information with respect to the Board's retirement and other employee future benefit obligations is as follows:

	2013	2012
Accrued benefit liability, beginning of year	\$ 37,166,304	\$ 50,299,789
Expense recognized for the year:		
Current service cost	330,875	4,160,037
Amortization of actuarial gains and losses	–	1,434,579
Interest cost	1,062,179	2,473,497
	1,393,054	8,068,113
Benefits paid for the year	(3,636,635)	(5,587,936)
Changes due to plan curtailment (note 8(a))	–	(15,613,662)
Accrued benefit liability, end of year	\$ 34,922,723	\$ 37,166,304

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

9. Retirement and other employee future benefits (continued):

(e) Other financial information (continued):

	2013	2012
Accrued future benefit obligation, end of year	\$ 36,242,047	\$ 37,166,304
Net unamortized actuarial loss	(1,319,324)	–
Accrued benefit liability, end of year	\$ 34,922,723	\$ 37,166,304

Employee benefits payable:

	2013	2012
Retirement gratuity	\$ 34,489,877	\$ 36,903,232
Retirement health, dental and life insurance	217,973	263,072
Compensated absences	214,873	–
Workplace Safety and Insurance Board obligations	1,320,970	2,293,520
	\$ 36,243,693	\$ 39,459,824

10. Net long-term liabilities:

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

	2013	2012
Debentures	\$ 103,851,599	\$ 90,944,214
Interest accrual	1,600,811	1,476,121
	\$ 105,452,410	\$ 92,420,335

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

10. Net long-term liabilities (continued):

The debentures totalling \$105,982,170 (2012 - \$92,732,957) consist of the following:

	2013	2012
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	\$ 21,660,665	\$ 22,452,012
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	10,885,724	11,309,964
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	967,000	1,167,000
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	3,882,000	4,516,000
Amortizing debenture payable, bearing interest at 4.56% payable semi-annually starting May 15, 2007, principal payable up to November 15, 2031	4,344,277	4,491,286
Amortizing debenture payable, bearing interest at 4.90% payable semi-annually starting May 15, 2008, principal payable up to March 3, 2033	12,841,127	13,218,675
Carry forward	65,495,653	68,069,797

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

10. Net long-term liabilities (continued):

	2013	2012
Carry forward	\$ 65,495,653	\$ 68,069,797
Amortizing debenture payable, bearing interest at 5.062% payable semi-annually starting May 15, 2009, principal payable up to March 13, 2034	3,087,724	3,169,911
Amortizing debenture payable, bearing interest at 5.232% payable semi-annually starting May 15, 2010, principal payable up to April 13, 2035	2,186,886	2,239,297
Amortizing debenture payable, bearing interest at 4.833% payable semi-annually starting May 16, 2011, principal payable up to March 11, 2036	16,736,295	17,131,727
Amortized debenture payable, bearing interest at 3.564% payable semi-annually starting May 15, 2012, principal payable up to March 9, 2037	2,067,813	2,122,225
Amortized debenture payable, bearing interest at 3.799% payable semi-annually starting May 15, 2013, principal payable up to March 19, 2038	16,407,796	-
	\$ 105,982,167	\$ 92,732,957

Series 2003-A1 debentures are secured by sinking fund assets of \$2,130,568 (2012 - \$1,788,743).

Principal and interest payments relating to the Board's debentures outstanding as at August 31, 2013 are due as follows:

	Principal	Interest	Total
2013-2014	\$ 14,662,016	\$ 5,010,992	\$ 19,673,008
2014-2015	3,954,036	4,513,413	8,467,449
2015-2016	4,174,401	4,292,629	8,467,030
2016-2017	4,406,639	4,058,944	8,465,583
2017-2018	4,363,169	3,822,996	8,186,165
Thereafter	74,421,906	31,011,747	105,433,653
	105,982,167	52,710,721	158,692,888
Less: equity in sinking fund	(2,130,568)	-	(2,130,568)
Net long-term liabilities	\$ 103,851,599	\$ 52,710,721	\$ 156,562,320

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

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

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

	2013	2012
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 3,158,586	\$ 2,935,525
Interest payments on long-term liabilities	5,090,130	4,969,955
	\$ 8,248,716	\$ 7,905,480

12. Expenses by object:

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

	2013 Budget	2013 Actual	2012 Actual
Operating expenses by object:			
Salary and wages	\$ 226,024,445	\$ 228,402,337	\$ 227,347,210
Employee benefits	35,749,927	32,368,050	39,557,052
Staff development	2,063,288	1,365,847	1,577,326
Supplies and services	23,934,340	22,978,400	23,432,148
Interest	4,810,229	5,082,328	4,941,308
Rental expenses	1,566,066	1,372,232	1,603,225
Fees and contract services	32,955,616	36,359,831	33,896,935
Other	278,826	551,984	520,032
Amortization, write-downs, loss on disposal	12,495,331	13,297,348	12,513,664
School activities	7,352,280	6,182,614	7,301,556
Centre for Education and Training	2,877,906	1,596,837	2,421,021
Champion for Kids Foundation	150,000	188,386	141,694
	350,258,254	349,746,194	355,253,171
Employee future benefits plan curtailment (note 9(a))	-	-	(15,613,662)
	\$ 350,258,254	\$ 349,746,194	\$ 339,639,509

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

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 ultimate premiums are based on the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium based on its pro rata share of claims experience. The current term expires December 31, 2013.

14. Contingent liabilities:

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 consolidated financial statements of the Board. Any adjustments, arising from these matters, will be provided for in future years.

15. Trust funds (unaudited):

Trust funds administered by the Board amounting to \$2,829,859 (2012 - \$3,169,379) 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 Deficit", in accordance with Public Sector Accounting Board's requirements.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

16. Accumulated deficit:

Accumulated deficit consists of the following:

	2013	2012
Available for compliance – unappropriated		
Total operating accumulated surplus	\$ 4,606,871	\$ 6,636,207
Available for compliance – internally appropriated		
Workers' Safety Insurance Board (WSIB)	1,862,590	1,796,063
Other purpose - operating	4,166,764	1,545,812
Other purpose - capital	105,834	164,376
Committed sinking fund interest	59,679	63,070
Total accumulated surplus available for compliance	10,801,738	10,205,528
Unavailable for compliance – externally appropriated		
Employee future benefits	(34,692,878)	(39,459,824)
Interest accrued	(1,600,811)	(1,476,121)
School generated funds	3,269,523	2,973,626
Revenue recognized for land	3,918,152	3,918,152
Total externally appropriated	(29,106,014)	(34,044,167)
Total accumulated deficit	\$ (18,304,276)	\$ (23,838,639)

17. 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 February 1, 2012. The consortium provides joint governance and administration of student transportation services provided to students registered with the two member boards. Related party transactions and balances with STEO include the following:

- (i) The Board paid STEO \$23,430,534 (2012 - \$12,192,706) for student transportation services in the year.
- (ii) The Board has a receivable from STEO of \$Nil (2012 - \$21,904) for student transportation services.
- (iii) The Board has a net amount payable to STEO of \$2,100,380 (2012 - \$Nil) for student transportation services in the year.
- (iv) The Board transferred assets with a fair value of \$Nil (2012 - \$303,220) and liabilities of \$Nil (2012 - \$66,189), representing the transferred employees' retiring allowances and vacation entitlement.

UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2013

17. Transportation consortium (continued):

STEO's assets, liabilities, revenue, expenses and surplus for the year ended August 31, 2013 are as follows:

	2013	2012
Financial assets	\$ 2,487,156	286,587
Financial liabilities	2,919,735	761,239
Net debt	(432,579)	(474,672)
Non-financial assets	433,196	475,289
Accumulated surplus	\$ 617	\$ 617

	2013	2012
Revenue	\$36,277,784	\$ 18,868,525
Expenses	36,277,784	18,867,908
Annual surplus	\$ -	\$ 617

The Board recorded \$Nil (2012 - \$413) of STEO's annual surplus in the consolidated statement of operations and accumulated deficit. The remaining \$Nil (2012 - \$204) is recorded by the Catholic District School Board of Eastern Ontario.