

Consolidated Financial Statements of

**THE UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2005

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2005

Management's Responsibility for the Financial Statements

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Director of Education

Chief Financial Officer

October 28, 2005

AUDITORS' REPORT

To the Trustees of

The Upper Canada District School Board

We have audited the consolidated statement of financial position of The Upper Canada District School Board as at August 31, 2005 and the consolidated statement of financial activities and consolidated statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of The Upper Canada District School Board as at August 31, 2005 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

We issued our report dated October 29, 2004 on the financial statements as at and for the year ended August 31, 2004. Our audit report contained a qualification with respect to the non-recording of school-generated fund balances and activities.

Chartered Accountants

Ottawa, Canada

October 28, 2005

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2005, with comparative figures for 2004

	2005	2004
		(note 2)
Financial assets:		
Cash and cash equivalents	\$ 28,427,825	\$ 30,664,569
Accounts receivable:		
Municipalities	7,959,002	5,344,448
Other	2,840,897	6,244,834
Investments (note 3)	1,437,353	1,356,432
Total financial assets	40,665,077	43,610,283
Financial liabilities:		
Accounts payable and accrued liabilities	27,475,305	13,242,914
Net long-term liabilities (note 6)	62,760,038	36,320,000
Deferred revenue:		
Reserves (note 4)	684,541	10,536,818
Other	2,755,926	1,304,115
Employee benefits payable (note 5)	38,475,583	38,854,866
Total financial liabilities	132,151,393	100,258,713
Net financial liabilities	(91,486,316)	(56,648,430)
Non-financial assets:		
Prepaid expenses	—	58,463
Total non-financial assets	—	58,463
Net liabilities	\$ (91,486,316)	\$ (56,589,967)
Financial position:		
Operating Fund	\$ (6,054,931)	\$ —
Capital Fund	1,490,986	3,215,795
Reserves and reserve funds (schedule)	11,896,159	13,249,541
School Activities Fund	2,417,091	2,119,563
Total Fund balance	9,749,305	18,584,899
Amounts to be recovered in future years (note 7):		
Net long-term liabilities (note 6)	(62,760,038)	(36,320,000)
Employee benefit obligations	(38,475,583)	(38,854,866)
	(101,235,621)	(75,174,866)
Commitments and contingent liabilities (note 11)		
Net financial position	\$ (91,486,316)	\$ (56,589,967)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director of Education

_____ Chair of the Board

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Activities

Year ended August 31, 2005, with comparative figures for 2004

	2005	2004
		(note 2)
Revenue:		
Local taxation	\$ 68,496,525	\$ 61,855,637
Provincial grants:		
Student focused funding	209,443,878	203,717,223
Other	4,476,777	2,109,614
Federal grants and fees	1,651,808	1,884,996
Other – school boards	848,738	2,828,689
Investment income	1,046,876	779,695
Other revenue	1,314,993	3,109,405
School – generated funds	10,167,902	–
Centre for Education and Training	790,060	–
	298,237,557	276,285,259
Expenditure:		
Instruction – classroom	171,844,688	167,159,087
Instruction – non-classroom	45,447,991	44,376,580
Administration	9,901,058	9,525,597
Transportation	26,638,698	26,152,777
School operations and maintenance	28,987,142	28,534,947
Pupil accommodation	39,436,294	29,021,711
Other	275,308	117,989
School activities	9,870,374	–
Centre for Education and Training	704,592	–
	333,106,145	304,888,688
Net expenditure	(34,868,588)	(28,603,429)
Decrease in prepaid expense	(58,463)	(27,027)
Decrease in non-financial assets	(58,463)	(27,027)
Change in net liabilities	(34,927,051)	(28,630,456)
Financing and transfers:		
Long-term financing obtained	27,200,000	25,000,000
Debt principal repayments and sinking fund contributions	(1,178,809)	(966,608)
Change in unfunded interest accrual	418,847	405,961
Change in employee benefits payable	(379,283)	13,378,465
Change in amounts to be recovered	26,060,755	37,817,818
Change in fund balances	(8,866,296)	9,187,762
Opening fund balances	18,584,899	7,277,574
Prior period adjustment – school activities fund (note 2)	–	2,119,563
Prior period adjustment – Centre for Education and Training (note 2)	30,702	–
Closing fund balances	\$ 9,749,305	\$ 18,584,899

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Financial Position

Year ended August 31, 2005, with comparative figures for 2004

	2005	2004
Operations:		
Net expenditure	\$ (34,868,588)	\$ (28,603,429)
Cash provided by (used in):		
Decrease in accounts receivable	789,383	1,969,334
Increase in accounts payable and accrued liabilities	14,232,391	1,302,521
Increase (decrease) in deferred revenue - reserves	(9,852,277)	2,353,472
Increase in deferred revenue - other	1,451,811	152,634
Increase (decrease) in employee benefits payable	(379,283)	13,378,865
	<u>6,242,025</u>	<u>19,156,826</u>
Net decrease in cash from operations	(28,626,563)	(9,446,603)
Investing:		
Increase in investments	(80,921)	(51,761)
Net increase in cash from investing	(80,921)	(51,761)
Financing:		
Proceeds from issuing debenture	27,200,000	25,000,000
Increase in interest accrual included in net long-term liabilities	418,847	405,961
Debt repayment	(1,178,809)	(966,608)
Net increase in cash from financing	<u>26,440,038</u>	<u>24,439,353</u>
Increase (decrease) in cash and cash equivalents	(2,267,446)	14,940,989
Cash and cash equivalents, beginning of year	30,664,569	13,604,017
Prior period adjustment - School Activities Fund (note 2)	-	2,119,563
Prior period adjustment - Centre for Education and Training (note 2)	30,702	-
Cash and cash equivalents, end of year	<u>\$ 28,427,825</u>	<u>\$ 30,664,569</u>

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2005

1. Significant accounting policies:

The consolidated financial statements have been prepared by the Board in accordance with generally accepted accounting principles for local government established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. The inclusion of school-generated funds is required by the Ministry of Education effective for the 2004-2005 fiscal year. Management has quantified and recorded these balances and activities for the 2004-2005 fiscal year.

(a) Reporting entity:

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

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

(b) Trust funds:

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

(c) Basis of accounting:

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

(d) Cash and cash equivalents:

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

(e) Investments:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

1. Significant accounting policies (continued):

(e) Investments (continued):

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

(f) Capital assets:

The historical cost and accumulated amortization of capital assets are not reported. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities in the year of acquisition.

(g) Deferred revenue:

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

(h) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuity, worker's compensation and long-term disability benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for worker's compensation, long-term disability and life insurance and health care benefits for those on disability leave, the cost is recognized immediately in the period the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the period they arise.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

1. Significant accounting principles (continued):

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

(ii) The costs of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System 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.

(i) Reserves and reserve funds:

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

(j) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(k) Investment income:

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

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

(l) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the Public Sector Accounting Board, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the financial statements.

The Upper Canada District School Board reviews its operating and capital budgets annually. The approved operating and capital budgets for 2005 are reflected on the Schedules of Operating and Capital Fund Operations. Budget figures have not been audited and are presented for information purposes.

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

1. Significant accounting principles (continued):

(m) Use of estimates:

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

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

2. Adoption of Public Sector Accounting Recommendations:

Commencing in 2004, the Board has adopted generally accepted accounting principles applying the local government accounting standards issued by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants. During 2005, school-generated funds and non-vesting accumulated sick days have been included, as disclosed in note 1 to these financial statements. The comparative figures included in these financial statements have been restated to conform with the accounting standards adopted for the current year. Key elements of the changes to the balances reported include:

- Recording a liability on the Board's accounts for estimated employee future benefits payable associated with accumulated sick leave days that do not vest. The restated Statement of Financial Activities includes the cost of providing these benefits in the period earned, in the amount of \$13,334,806 in 2004 and the restated consolidated Statement of Financial Position includes the accumulated sick leave of \$13,380,086 (2004 - \$13,334,806).
- Reporting the inclusion of school-generated funds for the 2004-2005 fiscal year. Management has quantified and recorded the revenue balance of \$10,167,902 and expenditure balance of \$9,870,374 on the Consolidated Statement of Financial Activities. The restated Consolidated Statement of Financial Position reports an increase to cash and cash equivalents and the School Activities Fund balance of \$2,417,091 (2003 - \$2,119,563).
- Consolidating Upper Canada Leger Centre for Education and Training as a controlled entity upon restructuring which occurred during the 2004/2005 year. The Consolidated Statement of Financial Position and Statement of Financial Activities includes the net assets of \$116,170.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

2. Adoption of Public Sector Accounting Recommendations (continued):

- In 2005, the Ministry clarified the recognition of pupil accommodation grants relating to capital expenditures. Pupil accommodation grants are now recognized as revenue when eligible capital expenditures are incurred. This prior period adjustment has been recorded on a retroactive basis with restatement of the Statement of Financial Position and the Statement of Financial Activities. The restated Statement of Financial Position include reserve funds for pupil accommodation of \$3,625,447 (2004 - \$3,502,296) which were previously reported as deferred revenue. The effect on the Statement of Financial Activities was to increase the 2004 provincial grants for student focused funding by \$1,703,905.

3. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2005 Market value	Cost	2004 Market value
Fixed income securities	\$ 1,437,353	\$ 1,437,353	\$ 1,356,432	\$ 1,357,762

4. Deferred revenue:

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

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2005 is comprised of:

	2005	2004
Special education	\$ -	\$ 10,011,595
Proceeds of disposition	684,541	525,223
	\$ 684,541	\$ 10,536,818

	2005	2004
Balance, beginning of year	\$ 10,536,818	\$ 8,183,346
Receipts	159,318	4,367,518
Recognized as revenue	(10,011,595)	(2,014,046)
Balance, end of year	\$ 684,541	\$ 10,536,818

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

4. Deferred revenue (continued):

(a) Special education:

The province provided specific funds to be used for special education. Any amount not spent by year end must be deferred as an obligatory reserve for use in future years. In July 2004, the Ministry of Education announced that any unspent Special Education Funds that were in obligatory reserves in 2003/2004 needed to be recognized as revenue in the Operating Fund and used in the 2004-2005 year. Accordingly, the Special Education allocation for 2004-2005 was reduced by the amount carried in obligatory reserves.

(b) Proceeds of disposition:

The proceeds of disposition deferred revenue is composed of proceeds from the sale of land, surplus schools, and administration buildings. The Board will use this reserve to fund future costs related to the renovation or construction of schools or administration buildings.

5. Employee benefits payable:

Retirement benefits:

(a) Ontario Teachers' Pension Plan:

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

(b) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board that meet the OMERS/Board approval criteria are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. From January 1, 2003 to December 31, 2003, eligible employees contributed at reduced rates of up to 2.6% of earnings. Effective January 1, 2004, employee contribution rates returned to levels of up to 8.8% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2005, the Board contributed \$4,550,666 (2004 - \$1,520,764) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is required to be included in the Board's financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

5. Employee benefits payable (continued):

(c) 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.

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

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

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, 2005 and is \$25,095,497 (2004 - \$25,520,060).

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 obligation 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, 2005 and is \$14,947,621 (2004 - \$13,640,388).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

5. Employee benefits payable (continued):

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

Accumulated sick leave (continued):

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

	2005	2004
	%	%
Rate of return on plan assets	6.25	6.25
Wage and salary escalation	2.0 ¹	2.0 ¹
Discount on accrued benefit obligations	5.00	6.00
Accumulated sick leave usage rate	3.00-9.5	3.00-9.5

¹ Salary growth 2% per annum for five years (effective September 1, 2003); 4% per annum thereafter for inflation and merit increases.

As detailed on the Schedule of Reserves and Reserve Funds, the Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totalled \$4,497,400 at August 31, 2005 (2004 - \$4,256,050).

Retirement gratuities and other employee future benefit expenses:

	2005		2004	
	Retirement Benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued benefit liability, September 1	\$ 25,520,060	\$ 13,334,806	\$ 38,854,866	\$ 25,476,001
Current year benefit cost	1,543,321	875,351	2,418,672	15,360,967
Net amortization of actuarial losses (gains)	32,172	25,263	57,435	–
Interest on accrued benefit obligation	1,539,088	820,664	2,359,752	2,414,904
Benefit payments	(3,539,144)	(1,675,998)	(5,215,142)	(4,397,006)
Accrued benefit liability, August 31	\$ 25,095,497	\$ 13,380,086	\$ 38,475,583	\$ 38,854,866
Net employee future benefit expenses ¹	\$ (424,563)	\$ 45,280	\$ (379,283)	\$ 13,378,865

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

5. Employee benefits payable (continued):

Retirement gratuities and other employee future benefit expenses (continued):

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

	2005	2004
Accrued benefit obligation	\$ 42,169,651	\$ 39,518,106
Unamortized actuarial losses	(3,694,068)	(663,240)
	<u>\$ 38,475,583</u>	<u>\$ 38,854,866</u>

Employee benefits payable:

Employee benefits payable are comprised of:

	2005	2004
Retirement gratuities	\$ 25,095,497	\$ 25,520,060
Accumulated sick leave – non-vesting	13,380,086	13,334,806
	<u>\$ 38,475,583</u>	<u>\$ 38,854,866</u>

Other employee future benefits:

(d) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and liabilities related to this plan are included in the Board's financial statements.

(e) 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, 2005

6. Net long-term liabilities:

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

	2005	2004
Debentures	\$ 61,603,583	\$ 35,582,392
Interest accrual	1,156,455	737,608
	<u>\$ 62,760,038</u>	<u>\$ 36,320,000</u>

The debentures totalling \$61,603,583 (2004 - \$35,582,392) consist of the following:

	2005	2004
Series 2004-A1 amortizing debenture payable, bearing interest at 5.483% blended principal and interest payments of \$1,005,845 payable semi-annually starting May 26, 2005, principal payable November 26, 2029	\$ 26,939,843	\$ -
Series 2003-A1 10 year sinking fund debenture payable, bearing interest at 5.30% payable semi-annually starting May 4, 2004, sinking fund annual contributions of \$149,302 starting November 7, 2004, principal payable November 7, 2013	10,762,721	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 November 7, 2028	13,688,019	13,956,532
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	2,235,000	2,350,000
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	7,978,000	8,361,000
	<u>\$ 61,603,583</u>	<u>\$ 35,582,392</u>

These debentures are secured by sinking fund assets of \$149,302 (2004 - \$Nil).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

6. Net long-term liabilities (continued):

Principal payments relating to the debentures of \$61,603,583 outstanding as at August 31, 2005 are due as follows:

	Principal and sinking fund contributions	Interest	Total
2005-2006	\$ 1,356,220	\$ 3,538,609	\$ 4,894,829
2006-2007	1,437,069	3,457,271	4,894,340
2007-2008	1,523,576	3,370,471	4,894,047
2008-2009	1,615,895	3,277,987	4,893,882
2009-2010	1,714,180	3,179,260	4,893,440
Thereafter	53,956,643	27,458,578	81,415,221
	\$ 61,603,583	\$ 44,282,176	\$ 105,885,759

7. Amounts to be recovered in future years:

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

	2005	2004
Capital outlay to be recovered in future years:		
Net long-term debt (note 6)	\$ (61,603,583)	\$ (35,582,392)
Amounts to be financed in future years:		
Retirement and other employee future benefits liability (note 5)	(38,475,583)	(38,854,866)
Interest accrual	(1,156,455)	(737,608)
	\$ (101,235,621)	\$ (75,174,866)

8. Debt charges and capital loans and leases interest:

The expenditure for debt charges and capital loans includes principal and interest payments as follows:

	2005	2004
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 1,178,809	\$ 966,608
Interest payments on long-term liabilities	2,862,096	1,471,782
	\$ 4,040,905	\$ 2,438,390

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

9. Expenditures by object:

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

	2005 Budget	2005 Actual	2004 Actual
Operating fund expenditures by object:			
Salary and wages	\$ 188,217,424	\$ 192,505,715	\$ 179,961,045
Employee benefits	27,753,261	27,606,943	39,344,039
Staff development	898,465	1,480,924	970,890
Supplies and services	20,213,685	23,124,274	20,287,289
Replacement furniture and equipment	1,139,503	934,780	1,251,629
Interest	1,230,280	3,280,944	1,877,743
Rental expenditures	955,506	962,974	1,033,020
Fees and contract services	29,322,224	32,110,170	29,081,085
Other	621,543	885,461	1,596,125
Capital expenditures	30,798,445	39,638,994	29,485,823
School activities	–	9,870,374	–
Centre for Education and Training	–	704,592	–
	\$ 301,150,336	\$ 333,106,145	\$ 304,888,688

10. 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.

11. Commitments and contingent liabilities:

(a) Litigation:

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

(b) Education Improvement Commission:

On December 22, 1998, the Education Improvement Commission issued its order for the division of assets and liabilities. In regard to this order, the Board is required to convey \$250,000 annually until January 1, 2008 to Le Conseil scolaire des écoles publiques de l'est de l'Ontario.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2005

12. Trust funds:

Trust funds administered by the Board amounting to \$2,282,410 (2004 - \$2,014,686) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Operating Fund

Year ended August 31, 2005, with comparative figures for 2004

	2004-2005 Budget (unaudited)	2004-2005 Actual	2003-2004 Actual
Revenues:			
Local taxation	\$ 64,313,462	\$ 68,496,525	\$ 61,855,637
Provincial legislative grants	208,206,544	209,443,878	203,717,223
Provincial grants - other	954,321	4,476,777	2,109,614
Federal grants and fees	2,010,017	1,651,808	1,884,996
Other revenues – school boards	1,985,997	848,738	2,828,689
Other fees and revenues	800,301	1,314,993	1,095,359
Investment income	400,000	760,265	525,528
Centre for Education and Training	–	790,060	–
	278,670,642	287,783,044	274,017,046
Expenditures:			
Instruction - classroom	162,496,640	169,046,944	165,315,656
Instruction – non-classroom	43,562,155	45,285,179	44,242,852
Administration	8,557,498	9,156,893	9,165,020
Transportation	26,025,775	26,638,698	26,152,777
School operations and maintenance	28,479,543	28,957,809	28,224,439
Pupil accommodation	9,778,954	3,531,354	2,184,132
Other	719,435	275,308	117,989
Centre for Education and Training	–	704,592	–
	279,620,000	283,596,777	275,402,865
Net revenues (expenditures)	(949,358)	4,186,267	(1,385,819)
Decrease in prepaid expenses	–	(58,463)	(27,027)
Decrease in non-financial assets	–	(58,463)	(27,027)
Increase in unfunded interest accrual included in net long-term liabilities	418,847	418,847	405,961
Increase (decrease) in unfunded expense for employee benefit obligations	–	(379,283)	13,378,865
Debt principal repayments	(1,178,809)	(1,178,809)	(966,608)
Change in amounts to be recovered	(759,962)	(1,139,245)	12,818,218
Net transfers from (to) other funds:			
Capital fund	(1,464,523)	(10,714,185)	(10,776,994)
Reserve funds	3,827,575	1,639,993	25,354
Net transfers from (to) other funds	2,363,052	(9,074,192)	(10,751,640)
Change in operating fund balance	653,732	(6,085,633)	653,732
Opening balance – operating fund	(653,732)	–	(653,732)
Prior period adjustment – Centre for Education and Training	–	30,702	–
Closing balance – operating fund	\$ –	\$ (6,054,931)	\$ –

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Capital Fund

Year ended August 31, 2005, with comparative figures for 2004

	2004-2005 Budget (unaudited)	2004-2005 Actual	2003-2004 Actual
Revenue:			
Other	\$ -	\$ -	\$ 2,014,046
Expenditures:			
Instruction - classroom	1,359,194	2,797,744	1,843,431
Instruction – non-classroom	76,329	162,812	133,728
Administration	-	744,165	360,577
School operations and maintenance	29,000	29,333	310,508
Pupil accommodation	19,305,851	35,904,940	26,837,579
	20,770,374	39,638,994	29,485,823
Net expenditures	(20,770,374)	(39,638,994)	(27,471,777)
Long-term financing	27,200,000	27,200,000	25,000,000
Change in amounts to be recovered	27,200,000	27,200,000	25,000,000
Net transfers from (to) other funds:			
Operating fund	1,464,523	10,714,185	10,776,994
Reserve funds	-	-	(2,014,046)
Net transfers from (to) other funds	1,464,523	10,714,185	8,762,948
Change in capital fund balance	7,894,149	(1,724,809)	6,291,171
Opening balance – capital fund	-	3,215,795	(3,075,376)
Closing balance – capital fund	\$ 7,894,149	\$ 1,490,986	\$ 3,215,795

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Reserves and Reserve Funds

Year ended August 31, 2005

	Classroom reserve	Pupil accommodation	Working funds	Retirement gratuities	Workplace safety insurance	Other capital	Total
Opening balance	\$ 1,786,367	\$ 3,502,296	\$ 871,754	\$ 4,256,050	\$ 2,393,333	\$ 439,741	\$ 13,249,541
Transfer to reserves	482,370	37,539	1,000,000	161,365	–	–	1,681,274
Transfer from reserves	(1,293,939)	–	(1,000,000)	(27,328)	(1,000,000)	–	(3,321,267)
Interest on reserves	2,016	85,612	–	107,313	80,921	10,749	286,611
Ending balance	\$ 976,814	\$ 3,625,447	\$ 871,754	\$ 4,497,400	\$ 1,474,254	\$ 450,490	\$ 11,896,159

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Schedule of School Activities Fund

Year ended August 31, 2005, with comparative figures for 2004

	2004-2005 Actual
Revenues:	
School fundraising and other revenues	\$ 10,167,902
Expenditures:	
School funded activities	9,870,374
Change in school activities fund	297,528
Opening balance – school activities fund	2,119,563
Closing balance – school activities fund	\$ 2,417,091