

Consolidated Financial Statements of

**THE UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2006

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2006

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

November 3, 2006



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AUDITORS' REPORT

To the Trustees of

The Upper Canada District School Board

We have audited the consolidated statement of financial position of The Upper Canada District School Board as at August 31, 2006 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, 2006 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

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

Chartered Accountants

Ottawa, Canada

November 3, 2006

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2006, with comparative figures for 2005

	2006	2005 (note 2)
Financial assets:		
Cash and cash equivalents	\$ 6,860,422	\$ 28,427,825
Accounts receivable:		
Municipalities	4,898,310	7,959,002
Other	3,566,057	2,840,897
Investments (note 4)	1,434,311	1,437,353
Total financial assets	16,759,100	40,665,077
Financial liabilities:		
Temporary borrowing (note 3)	6,300,000	—
Accounts payable and accrued liabilities	19,122,400	28,518,680
Net long-term liabilities (note 7)	61,217,412	62,760,038
Deferred revenue:		
Reserves (note 5)	—	684,541
Other	1,066,715	2,755,926
Employee benefits payable (note 6)	38,395,080	38,668,792
Total financial liabilities	126,101,607	133,387,977
Net liabilities	\$ (109,342,507)	\$ (92,722,900)
Financial position:		
Operating Fund	\$ (9,917,415)	\$ (6,054,931)
Capital Fund	(5,125,913)	1,490,986
Reserves and reserve funds (schedule)	3,705,324	11,896,159
School Activities Fund	2,627,488	2,417,091
Total Fund balance	(8,710,516)	9,749,305
Amounts to be recovered in future years (note 8):		
Net long-term liabilities (note 7)	(61,217,412)	(62,760,038)
Employee benefit obligations	(39,414,579)	(39,712,167)
	(100,631,991)	(102,472,205)
Commitments and contingent liabilities (note 12)		
Net financial position	\$ (109,342,507)	\$ (92,722,900)

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, 2006, with comparative figures for 2005

	2006	2005 (note 2)
Revenue:		
Local taxation	\$ 65,384,198	\$ 68,496,525
Provincial grants:		
Student focused funding	220,465,459	209,443,878
Other	6,904,603	4,476,777
Federal grants and fees	1,750,585	1,651,808
Other – school boards	814,493	848,738
Investment income	761,437	1,046,876
Other revenue	5,169,154	1,314,993
School – generated funds	9,392,238	10,167,902
Centre for Education and Training	837,242	790,060
	<u>311,479,409</u>	<u>298,237,557</u>
Expenditure (note 10):		
Instruction – classroom	204,975,461	171,844,688
Instruction – non-classroom	27,417,129	45,769,823
Administration	9,254,865	10,065,119
Transportation	25,874,418	26,663,705
School operations and maintenance	28,979,596	29,519,617
Pupil accommodation	21,290,759	39,436,294
Other	360,700	468,517
School activities	9,181,841	9,870,374
Centre for Education and Training	764,247	704,592
	<u>328,099,016</u>	<u>334,342,729</u>
Net expenditure	(16,619,607)	(36,105,172)
Decrease in prepaid expense	–	(58,463)
Decrease in non-financial assets	–	(58,463)
Change in net liabilities	(16,619,607)	(36,163,635)
Financing and transfers:		
Long-term financing obtained	–	27,200,000
Debt principal repayments and sinking fund contributions	(1,514,765)	(1,178,809)
Change in unfunded interest accrual	(27,856)	418,847
Change in employee benefits payable	(297,593)	857,301
Change in amounts to be recovered	(1,840,214)	27,297,339
Change in fund balances	(18,459,821)	(8,866,296)
Opening fund balances	9,749,305	18,584,899
Prior period adjustment – Centre for Education and Training	–	30,702
Closing fund balances	<u>\$ (8,710,516)</u>	<u>\$ 9,749,305</u>

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Financial Position

Year ended August 31, 2006, with comparative figures for 2005

	2006	2005 (note 2)
Operations:		
Net expenditure	\$ (16,619,607)	\$ (36,105,172)
Cash provided by (used in):		
Decrease in accounts receivable	2,335,533	789,383
Increase (decrease) in accounts payable and accrued liabilities	(9,396,282)	15,275,766
Decrease in deferred revenue - reserves	(684,541)	(9,852,277)
Increase (decrease) in deferred revenue - other	(1,689,210)	1,451,811
Decrease in employee benefits payable	(273,712)	(186,074)
	(9,708,212)	7,478,609
Net decrease in cash from operations	(26,327,819)	(28,626,563)
Investing:		
Decrease (increase) in investments	3,042	(80,921)
Net increase in cash from investing	3,042	(80,921)
Financing:		
Proceeds from issuing debenture	-	27,200,000
Increase in interest accrual included in net long-term liabilities	(27,861)	418,847
Debt repayment	(1,514,765)	(1,178,809)
Net increase in cash from financing	(1,542,626)	26,440,038
Decrease in cash and cash equivalents	(27,867,403)	(2,267,446)
Cash and cash equivalents, beginning of year	28,427,825	30,664,569
Prior period adjustment - Centre for Education and Training	-	30,702
Cash and cash equivalents, end of year	\$ 560,422	\$ 28,427,825

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2006

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.

(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, 2006

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, 2006

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 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 2006 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, 2006

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. Changes in accounting policies for employee benefits:

During 2006, the Board has included accrued vacation pay and post-retirement benefits with comparative figures in the financial statements 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 future benefits payable associated with post-retirement benefits. The restated Consolidated Statement of Financial Activities includes the cost of providing these benefits in the period earned, in the amount of \$193,209 in 2005 and the restated Consolidated Statement of Financial Position includes the accrued benefit payable of \$206,861 (2005 - \$193,209).
- Recording accrued vacation pay for employees as entitlement to these payments is earned in accordance with the Board's benefit plans for vacation time. The restated Consolidated Statement of Financial Activities includes the cost for entitlement earned in the amount of \$1,043,475 in 2005 and the restated Consolidated Statement of Financial Position includes the accrued vacation pay of \$1,019,494 (2005 - \$1,043,475).

3. Temporary borrowing:

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

Facility (1): The Board has a revolving demand loan of up to \$25,000,000 to finance operations, with no balance withdrawn as at August 31, 2006.

Facility (2): The Board has a revolving term loan of up to \$10,000,000 to finance capital expenditures under the Ministry of Education's Good Places to Learn Program, with \$4,000,000 utilized with interest at 4.52% per annum plus acceptance fee of 0.13% per annum as at August 31, 2006.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

3. Temporary borrowing (continued):

Facility (3): The Board has a revolving facility by way of a series of term loans of up to \$6,000,000 for the acquisition of capital assets with \$2,300,000 utilized with interest at 4.89% as at August 31, 2006.

4. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2006 Market value	Cost	2005 Market value
Fixed income securities	\$ 1,434,311	\$ 1,434,311	\$ 1,437,353	\$ 1,437,353

5. Deferred revenue:

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

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

	2006	2005
Proceeds of disposition	\$ —	\$ 684,541

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

6. Employee benefits payable:

Retirement benefits:

(a) Ontario Teachers' Pension Plan:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

6. Employee benefits payable (continued):

(b) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board that meet the OMERS/Board approval criteria are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2006, the Board contributed \$2,590,993 (2005 - \$2,273,240) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is required to be included in the Board's financial statements.

(c) Accrued vacation pay:

Compensated vacation expense 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, 2006 amount to \$1,019,494 (2005 - \$1,043,375) and are reported as part of the accounts payable and accrued liabilities.

(d) Retirement gratuities and other employee future benefits:

Retirement gratuities:

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

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, 2006 and is \$25,428,797 (2005 - \$25,095,497).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

6. Employee benefits payable (continued):

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

Accumulated sick leave:

The Board provides accumulated sick leave benefits to certain groups of employees. Under the plan, employees can accumulate unused sick leave days available for use in future years. The Board provides these benefits through an unfunded defined benefit plan. The amount of the accrued benefit payable for accumulated sick leave that does not vest has, however, been actuarially determined using the Projected Unit Credit Actuarial Cost Method as at August 31, 2006 and is \$12,966,283 (2005 - \$13,573,295).

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

	2006	2005
	%	%
Rate of return on plan assets	6.25	6.25
Wage and salary escalation	3.75 ¹	2.0
Discount on accrued benefit obligations	4.75	5.00
Accumulated sick leave usage rate	3.00-9.5	3.00-9.5

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

As detailed on the Schedule of Reserves and Reserve Funds, the Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totalled \$599,405 at August 31, 2006 (2005 - \$4,497,400).

Post-retirement benefits:

Senior administration members may elect to continue coverage of health insurance and/or dental insurance and life insurance if they wish. The board will pay 100% of the cost for a 5 year period after retirement but no later than age 65. The amount of the accrued benefit payable for post retirement benefit has been actuarially determined using the Projected Unit Credit Actuarial Cost Method pro-rated on services as at August 31, 2006 and is \$206,861 (2005 - \$193,209).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

6. Employee benefits payable (continued):

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

Retirement gratuities and other employee future benefits:

			2006	2005
	Retirement Gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued benefit liability, September 1	\$ 25,095,497	\$ 13,573,295	\$ 38,668,792	\$ 38,854,866
Current year benefit cost	1,798,445	1,057,264	2,855,709	2,418,672
Prior period cost of plan amendment	—	—	—	193,209
Net amortization of actuarial losses (gains)	196,204	132,770	328,974	57,435
Interest on accrued benefit obligation	1,375,112	746,937	2,122,049	2,359,752
Benefits paid for the period	(3,036,461)	(2,543,983)	(5,580,444)	(5,215,142)
Accrued benefit liability, August 31	\$ 25,428,797	\$ 12,966,283	\$ 38,395,080	\$ 38,668,792
Net employee future benefit expenses ¹	\$ 333,300	\$ (607,012)	\$ 273,712	\$ (186,074)

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

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

	2006	2005
Accrued benefit obligation	\$ 51,928,416	\$ 42,362,860
Unamortized actuarial losses	(13,533,336)	(3,694,068)
	\$ 38,395,080	\$ 38,668,792

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

6. Employee benefits payable (continued):

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

Employee benefits obligations:

Employee benefits obligations are comprised of:

	2006	2005
Retirement gratuities	\$ 33,136,857	\$ 27,222,030
Accumulated sick leave – non-vesting and other post-retirement benefits	18,791,559	15,140,830
	<u>\$ 51,928,416</u>	<u>\$ 42,362,860</u>

Other employee future benefits:

(e) Workplace Safety and Insurance Board obligations:

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

(f) Long-term disability life insurance:

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

7. Net long-term liabilities:

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

	2006	2005
Debentures	\$ 60,088,815	\$ 61,603,583
Interest accrual	1,128,597	1,156,455
	<u>\$ 61,217,412</u>	<u>\$ 62,760,038</u>

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

7. Net long-term liabilities (continued):

The debentures totalling \$60,088,815 (2005 - \$61,603,583) consist of the following:

	2006	2005
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	\$ 26,087,248	\$ 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	10,914,860	10,762,721
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	13,403,707	13,688,019
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	2,112,000	2,235,000
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	7,571,000	7,978,000
	\$ 60,088,815	\$ 61,603,583

These debentures are secured by sinking fund assets of \$310,685 (2005 - \$149,302).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

7. Net long-term liabilities (continued):

Principal and interest payments relating to the debentures of \$60,088,815 outstanding as at August 31, 2006 are due as follows:

	Principal and sinking fund contributions	Interest	Total
2006-2007	\$ 1,437,069	\$ 3,457,271	\$ 4,894,340
2007-2008	1,523,576	3,370,472	4,894,048
2008-2009	1,615,895	3,277,988	4,893,883
2009-2010	1,714,180	3,179,260	4,893,440
Thereafter	53,798,095	27,458,577	81,256,672
	<u>\$ 60,088,815</u>	<u>\$ 40,743,568</u>	<u>\$ 100,832,383</u>

8. Amounts to be recovered in future years:

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

	2006	2005
Capital outlay to be recovered in future years:		
Net long-term debt (note 6)	\$ (60,088,815)	\$ (61,603,583)
Interest accrual	(1,128,597)	(1,156,455)
Amounts to be financed in future years:		
Retirement and other employee future benefits liability (note 6)	(38,395,080)	(38,668,792)
Accrued vacation pay	(1,019,499)	(1,043,375)
	<u>\$ (100,631,991)</u>	<u>\$ (102,472,205)</u>

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

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

	2006	2005
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 1,514,765	\$ 1,178,809
Interest payments on long-term liabilities	3,594,813	2,862,096
	<u>\$ 5,109,578</u>	<u>\$ 4,040,905</u>

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

10. Expenditures by object:

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

	2006 Budget	2006 Actual	2005 Actual
Operating fund expenditures by object:			
Salary and wages	\$ 199,602,535	\$ 202,491,111	\$ 192,505,715
Employee benefits	29,604,289	28,564,296	28,843,527
Staff development	1,557,665	1,433,984	1,480,924
Supplies and services	22,969,109	23,920,135	23,124,274
Replacement furniture and equipment	690,685	3,801,046	934,780
Interest	3,518,379	3,576,201	3,280,944
Rental expenditures	902,740	975,558	962,974
Fees and contract services	29,747,793	31,990,378	32,110,170
Other	226,686	573,201	885,461
Capital expenditures	7,416,336	20,827,018	39,638,994
School activities	6,500,000	9,181,841	9,870,374
Centre for Education and Training	–	764,247	704,592
	<u>\$ 302,736,217</u>	<u>\$ 328,099,016</u>	<u>\$ 334,342,729</u>

11. Ontario School Board Insurance Exchange (OSBIE):

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

12. Commitments and contingent liabilities:

(a) Litigation:

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

(b) Education Improvement Commission:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2006

13. Comparative figures:

Certain 2005 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2006.

14. Trust funds:

Trust funds administered by the Board amounting to \$2,517,927 (2005 - \$2,282,410) 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, 2006, with comparative figures for 2005

	2005-2006 Budget (unaudited)	2005-2006 Actual	2004-2005 Actual (note 2)
Revenues:			
Local taxation	\$ 65,641,226	\$ 65,384,198	\$ 68,496,525
Provincial legislative grants	220,574,589	220,465,459	209,443,878
Provincial grants – other	6,129,809	6,904,603	4,476,777
Federal grants and fees	1,847,658	1,750,585	1,651,808
Other revenues – school boards	822,278	814,493	848,738
Other fees and revenues	588,806	3,799,244	1,314,993
Investment income	195,901	738,238	760,265
Centre for Education and Training	–	837,242	790,060
	<u>295,800,267</u>	<u>300,694,062</u>	<u>287,783,044</u>
Expenditures:			
Instruction – classroom	193,500,086	202,227,560	169,046,944
Instruction – non-classroom	26,694,767	27,196,114	45,607,011
Administration	9,697,072	9,196,465	9,320,954
Transportation	25,758,447	25,872,859	26,663,705
School operations and maintenance	29,651,130	28,896,011	29,490,284
Pupil accommodation	3,518,379	3,576,201	3,531,354
Other	–	360,700	468,517
Centre for Education and Training	–	764,247	704,592
	<u>288,819,881</u>	<u>298,090,157</u>	<u>284,833,361</u>
Net revenues	6,980,386	2,603,905	2,949,683
Decrease in prepaid expenses	–	–	(58,463)
Decrease in non-financial assets	–	–	(58,463)
Increase (decrease) in unfunded interest accrual included in net long-term liabilities	(20,230)	(27,856)	418,847
Increase (decrease) in unfunded expense for employee benefit obligations	–	(297,593)	857,301
Debt principal repayments	(1,512,687)	(1,514,765)	(1,178,809)
Change in amounts to be recovered	(1,532,917)	(1,840,214)	97,339
Net transfers from (to) other funds:			
Capital fund	(6,518,994)	(12,480,538)	(10,714,185)
Reserve funds	1,071,525	7,854,363	1,639,993
Net transfers from (to) other funds	<u>(5,447,469)</u>	<u>(4,626,175)</u>	<u>(9,074,192)</u>
Change in operating fund balance	–	(3,862,484)	(6,085,633)
Opening balance – operating fund	–	(6,054,931)	–
Prior period adjustment – Centre for Education and Training	–	–	30,702
Closing balance – operating fund	\$ –	\$ (9,917,415)	\$ (6,054,931)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Capital Fund

Year ended August 31, 2006, with comparative figures for 2005

	2005-2006 Budget (unaudited)	2005-2006 Actual	2004-2005 Actual
Revenue:			
Other	\$ 537,828	\$ 1,369,910	\$ -
Expenditures:			
Instruction – classroom	1,942,787	2,747,896	2,797,744
Instruction – non-classroom	19,350	221,020	162,812
Administration	32,500	58,400	744,165
Transportation	-	1,559	-
School operations and maintenance	-	83,585	29,333
Pupil accommodation	5,421,699	17,714,558	35,904,940
	7,416,336	20,827,018	39,638,994
Net expenditures	(6,878,508)	(19,457,108)	(39,638,994)
Long-term financing	-	-	27,200,000
Change in amounts to be recovered	-	-	27,200,000
Net transfers from other funds:			
Operating fund	6,518,994	12,480,538	10,714,185
Reserve funds	359,514	359,671	-
Net transfers from other funds	6,878,508	12,840,209	10,714,185
Change in capital fund balance	-	(6,616,899)	(1,724,809)
Opening balance – capital fund	-	1,490,986	3,215,795
Closing balance – capital fund	\$ -	\$ (5,125,913)	\$ 1,490,986

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Reserves and Reserve Funds

Year ended August 31, 2006

	Classroom reserve	Pupil accommodation	Working funds	Retirement gratuities	Workplace safety insurance	Other capital	Total
Opening balance	\$ 976,814	\$ 3,625,447	\$ 871,754	\$ 4,497,400	\$ 1,474,254	\$ 450,490	\$ 11,896,159
Transfer to reserves	1,534,346	–	389,709	153,512	–	–	2,077,567
Transfer from reserves	(976,814)	(3,622,187)	(1,261,463)	(4,071,466)	–	(359,671)	(10,291,601)
Interest on reserves	–	112	–	19,959	–	3,128	23,199
Ending balance	\$ 1,534,346	\$ 3,372	\$ –	\$ 599,405	\$ 1,474,254	\$ 93,947	\$ 3,705,324

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Schedule of School Activities Fund

Year ended August 31, 2006, with comparative figures for 2005

	2005-2006 Actual	2004-2005 Actual
Revenues	\$ 9,392,238	\$ 10,167,902
Expenditures:		
School funded activities	9,181,841	9,870,374
Change in school activities fund	210,397	297,528
Opening balance – school activities fund	2,417,091	2,119,563
Closing balance – school activities fund	\$ 2,627,488	\$ 2,417,091