

Consolidated Financial Statements of

**THE UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2010

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2010

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

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

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

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

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

Director of Education

Chief Financial Officer

November 3, 2010



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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, 2010 and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows 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.

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 our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Upper Canada District School Board as at August 31, 2010 and the results of its operations and its cash flows 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 serves as a flourish or underline.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

November 3, 2010

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2010, with comparative figures for 2009

	2010	2009 (Restated, note 2)
Financial assets:		
Cash	\$ 14,544,365	\$ 11,140,268
Accounts receivable:		
Municipalities	8,591,806	3,479,015
Government of Ontario – approved capital (note 3)	87,887,087	–
Other	2,822,680	2,928,181
Investments (note 6)	1,681,591	1,634,235
Other assets	10,987	8,938
Total financial assets	115,538,516	19,190,637
Financial liabilities:		
Accounts payable and accrued liabilities	27,813,800	16,759,628
Net long-term liabilities (note 9)	77,341,150	77,548,843
Deferred revenue (note 7)	7,394,166	4,780,491
Employee benefits payable (note 8(g))	50,199,337	47,806,169
Total financial liabilities	162,748,453	146,895,131
Net debt	(47,209,937)	(127,704,494)
Non-financial assets:		
Tangible capital assets (note 4)	233,190,071	220,928,866
Total non-financial assets	233,190,071	220,928,866
Accumulated surplus	\$ 185,980,134	\$ 93,224,372

Commitments and contingent liabilities (notes 12 and 13)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Director of Education

_____ Chair of the Board

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Operations and Accumulated Surplus

Year ended August 31, 2010, with comparative figures for 2009

	2010 Budget (Unaudited) (note 1(l))	2010 Actual	2009 Actual (Restated, note 2)
Revenue:			
Local taxation	\$ 64,972,110	\$ 77,461,599	\$ 70,297,264
Provincial grants:			
Student focused funding	248,855,004	239,812,253	244,885,531
Government of Ontario – capital debt support (note 3)	–	87,887,087	–
Other	6,803,622	7,939,503	4,136,883
Federal grants and fees	2,470,638	2,703,592	2,282,535
Other – school boards	751,000	554,011	759,142
Investment income	1,447,731	169,260	251,334
Other revenue	269,296	3,532,476	5,167,771
School – generated funds	9,411,000	8,887,977	9,437,724
Upper Canada Leger Centre	–	2,365,012	2,786,881
	<u>334,980,401</u>	<u>431,312,770</u>	<u>340,005,065</u>
Expenses (note 11):			
Instruction	240,019,566	247,823,094	244,681,001
Administration	9,063,033	9,285,729	10,222,549
Transportation	26,289,545	24,050,590	24,572,825
Pupil accommodation	43,922,954	45,898,798	40,647,610
Other	–	244,580	–
School activities	9,511,000	8,872,461	9,589,632
Upper Canada Leger Centre	–	2,381,756	3,002,021
	<u>328,806,098</u>	<u>338,557,008</u>	<u>332,715,638</u>
Annual surplus	6,174,303	92,755,762	7,289,427
Accumulated surplus, beginning of year	88,446,761	93,224,372	85,934,945
Annual surplus, end of year (note 17)	<u>\$ 94,621,064</u>	<u>\$ 185,980,134</u>	<u>\$ 93,224,372</u>

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Change in Net Debt

Year ended August 31, 2010, with comparative figures for 2009

	2010	2009 (Restated, note 2)
Annual surplus	\$ 92,755,762	\$ 7,289,427
Acquisition of tangible capital assets	(23,407,647)	(16,553,931)
Amortization of tangible capital assets	10,439,469	9,170,362
Loss on sale of tangible capital assets	48,010	–
Proceeds on sale of tangible capital assets	819,582	–
Less: proceeds allocated to deferred revenue (gains on sale)	(160,620)	–
	(12,261,206)	(94,142)
Use of prepaid expenses	–	15,160
Change in net debt	80,494,556	(78,982)
Net debt, beginning of year	(127,704,493)	(127,625,512)
Net debt, end of year	\$ (47,209,937)	\$(127,704,494)

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flows

Year ended August 31, 2010, with comparative figures for 2009

	2010	2009 (Restated, note 2)
Operating transactions:		
Annual surplus	\$ 92,755,762	\$ 7,289,427
Cash provided by (used in):		
Non-cash items including amortization, write-downs and gain on disposal	10,487,477	9,170,362
Decrease (increase) in accounts receivable	(92,894,377)	3,320,034
Increase in other financial assets	(49,405)	(52,303)
Increase in accounts payable and accrued liabilities	11,054,172	2,987,675
Increase in deferred revenue	2,453,057	2,321,958
Increase in employee benefits payable	2,393,168	1,828,898
Increase in prepaid expenses	-	15,160
Cash provided by (applied to) operating transactions	26,199,854	26,881,211
Capital transactions:		
Proceeds on sale of tangible capital assets	819,583	-
Cash used to acquire tangible capital assets	(23,407,647)	(16,553,931)
Cash applied to operating transactions	(22,588,064)	(16,553,931)
Financing transactions:		
Long-term liabilities issued	2,336,338	3,393,200
Debt repayment	(2,544,031)	(2,208,993)
Cash provided by (applied to) financing transactions	(207,693)	1,184,207
Increase in cash	3,404,097	11,511,487
Cash, beginning of year	11,140,268	(371,219)
Cash, end of year	\$ 14,544,365	\$ 11,140,268

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2010

1. Significant accounting policies:

The consolidated financial statements of the Upper Canada District School Board (the "Board") are prepared by management in accordance with Canadian generally accepted accounting principles for local government as recommended by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants. Significant accounting policies of the Board are as follows:

(a) Reporting entity:

The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

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

These consolidated financial statements also include the Champions for Kids Foundation.

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

(b) Trust funds:

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

(c) Basis of accounting:

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of the receipt of the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

(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.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

1. Significant accounting policies (continued):

(e) Investments (continued):

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

(f) Non-financial assets:

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

Tangible capital assets:

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

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

Rate	Estimated Useful Lives
Land improvements with finite lives	15 years
Buildings	40 years
Portable structures	20 years
Other buildings	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5-10 years

Assets under construction are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Building permanently removed from service ceases to be amortized and the carrying value is written down to its residual value.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

1. Significant accounting policies (continued):

(f) Non-financial assets (continued):

Tangible capital assets (continued):

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

(g) Deferred revenue:

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

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

(h) Retirement and other employee future benefits:

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

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

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

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

1. Significant accounting policies (continued):

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

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

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

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

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

(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 reported as revenue in the period earned.

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

(l) Budget figures:

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

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

The Upper Canada District School Board approves its budget annually. The approved budget for 2009-2010 is reflected on the Consolidated Statement of Operations and Accumulated Surplus.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

1. Significant accounting policies (continued):

(l) Budget figures (continued):

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

Budget figures have not been audited and are presented for information purposes.

(m) Use of estimates:

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these current estimates. Significant estimates include assumptions used in:

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

In addition, the Board's implementation of the Public Sector Accounting Handbook PS3150 has required management to make estimates of historical cost and useful lives of tangible capital assets. For the year ended August 31, 2010, these amounts and the related estimation techniques have been disclosed in note 2.

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

(n) Financial instruments:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

2. Change in accounting policies:

The Board has implemented Public Sector Accounting Board ("PSAB") Sections 1200, *Financial Statement Presentation* and 3150, *Tangible Capital Assets*. Section 1200 establishes general reporting principles and standards for the disclosure of information in government financial statements. Section 3150 requires governments to record and amortize their tangible capital assets in their financial statements. In prior years, tangible capital asset additions were expensed in the year of acquisition or construction.

Method used for determining the cost of tangible capital assets

The financial information recorded includes the actual or estimated historical cost of the tangible capital assets. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development.

When historical cost records were not available, other methods were used to estimate the costs and accumulated amortization of the assets. The estimates for land and buildings were determined by the Ministry of Education using an estimation methodology called the Book Value Calculator, using historical information provided by the Board. Other asset classes are recorded as historical cost where adequate information was available. If adequate information was not available, an alternative method was used to estimate a reasonable cost.

This change has been applied retroactively and prior periods have been restated. This change in accounting policy has changed amounts reported in the prior period as follows:

	2009
Accumulated surplus (deficit) at August 31, 2008:	
Operating fund balance	\$ (6,702,936)
Capital fund balance	(4,544,597)
Reserve fund balance	5,801,807
School activities fund	2,661,684
Amounts to be recovered	(124,826,320)
Accumulated (deficit), as previously reported	(127,610,362)
Net book value of tangible capital assets recorded	213,545,307
Accumulated surplus, as at August 31, 2008, as restated	\$ 85,934,945

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

2. Change in accounting policies (continued):

	2009
Annual surplus (deficit) for the year ended August 31, 2009:	
Change in net assets (liabilities), as previously reported	\$ (94,142)
Add:	
Capital expenses capitalized, previously expensed	16,553,931
Less:	
Amortization expense not previously recorded	(9,170,362)
Annual surplus, as restated	\$ 7,289,427

3. Approved capital funding – Government of Ontario:

In the year, the Government of Ontario provided school boards with a one-time debt support grant to replace its former annual variable capital funding programs. Under this new funding model, Ontario school boards were awarded a one-time grant in fiscal 2010 based on their capital debt supported by the former capital funding programs, as at August 31, 2010. Ontario school boards will receive this grant in cash on an annual basis to cover the cash flow requirements over the remaining term of the respective capital debt instruments.

The Board recognized an approved capital funding grant of \$87,887,087 as revenue and a corresponding accounts receivable from the Province as at August 31, 2010 with respect to this one-time grant.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

4. Tangible capital assets:

Cost	Balance at August 31, 2009	Additions and transfers	Disposals, write-offs and adjustments	Balance at August 31, 2010
Land	\$ 3,984,794	\$ –	\$ 70,063	\$ 3,914,731
Land improvements	2,416,173	1,240,025	–	3,656,198
Buildings	262,728,142	22,201,261	1,850,864	283,078,539
Portable structures	3,844,700	–	1,760,300	2,084,400
First-time equipping of schools	2,483,447	14,594	–	2,498,041
Furniture	721,962	10,188	95,740	636,410
Equipment	2,730,512	2,109,167	161,311	4,678,368
Computer hardware	10,591,972	1,492,452	2,882,805	9,201,619
Computer software	5,265,374	137,551	1,565,634	3,837,291
Vehicles	289,092	119,467	41,905	366,654
Construction in progress	18,596,636	11,321,210	16,171,710	13,746,136
Pre-acquisition costs	74,979	933,441	–	1,008,420
Total	\$ 313,727,783	39,579,356	\$ 24,600,332	\$ 328,706,807

Accumulated amortization	Balance at August 31, 2009	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2010
Land	\$ –	\$ –	\$ –	\$ –
Land improvements	438,460	202,413	–	640,873
Buildings	78,690,513	6,822,583	1,239,097	84,273,999
Portable structures	3,411,372	149,902	1,760,300	1,800,974
First-time equipping of schools	972,018	248,345	–	1,220,363
Furniture	333,247	63,132	95,740	300,639
Equipment	986,410	329,308	161,311	1,154,407
Computer hardware	4,627,872	1,790,961	2,882,805	3,536,028
Computer software	3,226,903	780,775	1,565,634	2,442,044
Vehicles	112,122	52,049	16,762	147,409
Total	\$ 92,798,917	\$ 10,439,468	\$ 7,721,649	\$ 95,516,736

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

4. Tangible capital assets (continued):

Net book value	Net book value August 31, 2009	Net book value August 31, 2010
Land	\$ 3,984,794	\$ 3,914,731
Land improvements	1,977,713	3,015,325
Buildings	184,037,629	198,804,540
Portable structures	433,328	283,426
First-time equipping of schools	1,511,429	1,277,678
Furniture	388,715	335,771
Equipment	1,744,102	3,523,961
Computer hardware	5,964,100	5,665,591
Computer software	2,038,471	1,395,247
Vehicles	176,970	219,245
Construction in progress	18,596,636	13,746,136
Pre-acquisition costs	74,979	1,008,420
Total	\$ 220,928,866	\$ 233,190,071

5. Temporary borrowing:

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

- Facility (1): The Board has a revolving demand loan of up to \$25,000,000 (2009 - \$25,000,000) to finance operations, with a \$Nil (2009 - \$Nil) balance drawn as at August 31, 2010.
- Facility (2): The Board has a revolving facility by way of a series of term loans of up to \$6,000,000 (2009 - \$6,000,000) for the acquisition of capital assets with \$Nil (2009 - \$Nil) utilized as at August 31, 2010.
- Facility (3): The Board has a non-revolving term facility of up to \$12,800,000 (2009 - \$Nil) to temporarily finance Vankleek Hill Collegiate Institute new school construction with \$Nil utilized as at August 31, 2010.
- Facility (4): The Board has a non-revolving term loan of up to \$10,000,000 (2009 - \$8,850,000) to finance capital expenditures under the Ministry of Education's Good Places to Learn Program, with \$Nil (2009 - \$Nil) utilized as at August 31, 2010.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

6. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2010 Market value	Cost	2009 Market value
Fixed income securities	\$ 1,681,591	\$ 1,741,266	\$ 1,634,235	\$ 1,665,929

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 is comprised of:

	2010	2009
By legislation, regulation or agreement:		
Gain on disposal	\$ 163,494	\$ 2,874
Reserve for Special Education	2,630,053	790,150
Energy Efficient Schools	383,762	1,211,649
Green Schools Pilot	712,207	–
Amounts restricted by external funder	3,504,650	2,775,817
	<u>\$ 7,394,166</u>	<u>\$ 4,780,490</u>

The gain on disposal deferred revenue is from the sale of buildings.

The Reserve for Special Education is specifically for Special Equipment Amount (SEA) Training which was funded in 2008-09 and 2009-10 and is committed to be spent in 2009-10 and 2010-11.

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

8. Employee benefits payable:

Retirement benefits:

(a) Ontario Teachers' Pension Plan:

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

(b) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board that meet the OMERS/Board approval criteria are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. On January 1, 2009 employee contribution rates were up to 9.5% of earnings. On January 1, 2010 employee contribution rates were increased to up to 9.7% of earnings. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2010, the Board contributed \$ 2,977,833 (2009 - \$2,855,015) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's financial statements.

(c) Accrued vacation pay:

Compensated vacation pay is accrued for employees as entitlement to these payments is earned in accordance with the Board's benefit plans for vacation time. Vacation credits earned as of August 31, 2010 amount to \$1,497,586 (2009 - \$1,392,881) and are reported as part of the accounts payable and accrued liabilities.

(d) Retirement gratuities and other employee future benefits:

Retirement gratuities:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

8. Employee benefits payable (continued):

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

Retirement gratuities (continued):

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, 2010 and is \$33,575,653 (2009 - \$31,024,179).

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

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

Accumulated sick leave:

The Board provides accumulated sick leave benefits to certain groups of employees. Under the plan, employees can accumulate unused sick leave days available for use in future years. The Board provides these benefits through an unfunded defined benefit plan. The amount of the accrued benefit payable for accumulated sick leave that does not vest has, however, been actuarially determined using the Projected Unit Credit Actuarial Cost Method as at August 31, 2010 and is \$14,986,904 (2009 - \$15,002,224).

Post-retirement benefits:

Senior administration members may elect to continue coverage of health insurance and/or dental insurance and life insurance if they wish. The board will pay 100% of the cost for a 5 year period after retirement but no later than age 65. The amount of the accrued benefit payable for post retirement benefits has been actuarially determined using the Projected Unit Credit Actuarial Cost Method pro-rated on services as at August 31, 2010 and is \$275,668 (2009 - \$219,474).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

8. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

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

	2010	2009
	%	%
Rate of return on plan assets	6.25	6.25
Wage and salary escalation	3.0 ¹	3.25
Discount on accrued benefit obligations	4.75	4.75
Dental benefits	6.0 ²	6.0
Health benefits	10.0 ³	10.0

¹ Salary growth 3.0% per annum.

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

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

As detailed in the Accumulated Surplus Available for Compliance – Internally Appropriated Surplus, the Board has designated surplus for certain of these employee future benefit obligations. The balance totalled \$1,246,589 at August 31, 2010 (2009 - \$1,165,069).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

8. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

			2010	2009
	Retirement Gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued benefit liability, September 1	\$ 31,024,179	\$ 15,221,698	\$ 46,245,877	\$ 44,271,287
Current year benefit cost	2,634,406	984,773	3,619,179	4,083,641
Net amortization of actuarial losses (gains)	707,334	484,499	1,191,833	1,219,302
Interest on accrued benefit obligation	1,800,146	910,189	2,710,335	2,694,853
Benefits paid for the period	(2,590,412)	(2,338,587)	(4,928,999)	(6,023,206)
Accrued benefit liability, August 31	\$ 33,575,653	\$ 15,262,572	\$ 48,838,225	\$ 46,245,877
Net employee future benefit expenses ¹	\$ 2,551,474	\$ 40,874	\$ 2,592,348	\$ 1,974,590

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

8. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

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

	2010	2009
Accrued benefit obligation	\$ 55,925,508	\$ 55,937,364
Unamortized actuarial losses	(7,087,283)	(9,691,487)
	<u>\$ 48,838,225</u>	<u>\$ 46,245,877</u>

Employee benefits obligations are comprised of:

	2010	2009
Retirement gratuities	\$ 37,455,193	\$ 36,558,609
Accumulated sick leave – non-vesting and other post-retirement benefits	18,470,315	19,378,755
	<u>\$ 55,925,508</u>	<u>\$ 55,937,364</u>

Other employee future benefits:

(e) Workplace Safety and Insurance Board obligations:

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board recognizes WSIB payments on a claim basis rather than on a premium basis and reports such claims as expenditures in the year in which the payments are made. The Board carries catastrophic risk insurance and has a reserve fund established for these liabilities which amounted to \$1,681,591 as at August 31, 2010 (2009 - \$1,634,235).

The amount of liability for WSIB that was actuarially determined as at August 31, 2010 is \$1,361,112 (2009 - \$1,560,292).

(f) Long-term disability life insurance:

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

8. Employee benefits payable (continued):

(g) Employee benefits payable:

Employee benefits payable are comprised of:

	2010	2009
Retirement gratuities	\$ 33,575,653	\$ 31,024,179
Other employee future benefits	15,262,572	15,221,698
Workplace Safety and Insurance Board obligations	1,361,112	1,560,292
	50,199,337	47,806,169
Accrued vacation pay	1,497,586	1,392,881
	\$ 51,696,923	\$ 49,199,050

9. Net long-term liabilities:

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

	2010	2009
Debentures	\$ 77,341,150	\$ 77,548,843
Interest accrual	1,303,429	1,313,021
	\$ 78,644,579	\$ 78,861,864

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

9. Net long-term liabilities (continued):

The debentures totalling \$78,454,815 (2009 - \$78,358,324) consist of the following:

	2010	2009
Series 2004-A1 amortizing debenture payable, bearing interest at 5.483% blended principal and interest payments of \$1,005,845 payable semi-annually starting May 26, 2005, principal payable up to November 26, 2029	\$ 23,911,896	\$ 24,584,706
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	12,089,027	12,446,398
No. GFR96 – 001 Global instalment debenture, bearing interest ranging from 3.625% to 7.75% for 1997 to 2016, payable December 5 and June 5, principal payments December 5 every year in variable instalments based on debenture agreement dated December 5, 1996	1,526,000	1,688,000
No. FRG1998 – 001 Global instalment debenture, bearing interest ranging from 5.4% to 6.95% for 1999 to 2018, payable March 13 and September 13, principal payments March 13 every year in variable instalments based on debenture agreement dated March 13, 1998	5,667,000	6,189,000
Amortizing debenture payable, bearing interest at 4.56% payable semi-annually starting May 15, 2007, principal payable up to November 15, 2031	4,766,147	4,894,558
Amortizing debenture payable, bearing interest at 4.90% payable semi-annually starting May 15, 2008, principal payable up to March 3, 2033	13,921,089	14,247,602
Amortizing debenture payable, bearing interest at 5.062% payable semi-annually starting May 15, 2009, principal payable up to March 13, 2034	3,322,458	3,393,200
Amortizing debenture payable, bearing interest at 5.232% payable semi-annually starting May 15, 2010, principal payable up to April 13, 2035	2,336,338	–
	\$ 78,454,815	\$ 78,358,324

Series 2003-A1 debentures are secured by sinking fund assets of \$1,113,667 (2009 - \$809,482).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

9. Net long-term liabilities (continued):

Principal and interest payments relating to the Board's debentures outstanding as at August 31, 2010 are due as follows:

	Principal	Interest	Total
2010-2011	\$ 2,417,280	\$ 4,256,299	\$ 6,673,579
2011-2012	2,558,530	4,114,375	6,672,905
2012-2013	2,708,743	3,963,592	6,672,335
2013-2014	5,032,059	3,514,374	8,546,433
2014-2015	3,038,150	3,054,713	6,092,863
Thereafter	62,700,055	24,966,158	87,666,213
	78,454,817	43,869,511	122,324,328
Less: equity in sinking fund	(1,113,667)	–	(1,113,667)
Net long-term liabilities	\$ 77,341,150	\$ 43,869,511	\$ 121,210,661

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

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

	2010	2009
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 2,539,147	\$ 2,208,993
Interest payments on long-term liabilities	4,276,447	4,244,651
	\$ 6,815,594	\$ 6,453,644

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

11. Expenses by object:

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

	2010 Actual	2009 Actual
Operating expenses by object:		
Salary and wages	\$ 216,888,508	\$ 212,602,133
Employee benefits	34,858,452	33,759,572
Staff development	1,357,471	1,667,199
Supplies and services	28,369,354	22,078,572
Replacement furniture and equipment	—	840,991
Interest	4,266,855	4,291,100
Rental expenses	1,063,643	1,352,388
Fees and contract services	29,759,141	30,343,756
Other	251,890	572,918
Capital expenses	10,487,477	12,866,302
School activities	8,872,461	9,589,632
Centre for Education and Training	2,381,756	2,751,075
	<hr/>	<hr/>
	\$ 338,557,008	\$ 332,715,638

12. Ontario School Board Insurance Exchange (OSBIE):

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

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

13. Commitments and contingent liabilities:

(a) Litigation:

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

(b) Construction:

The Upper Canada District School Board has entered into contract commitments related to the construction (including cost of demolition) of Vankleek Hill Collegiate Institute for a total estimated contract price of \$15,226,806 with expenditures of \$13,798,052, incurred as of August 31, 2010 (2009 - \$2,450,013).

The Upper Canada District School Board has entered into contract commitments related to the construction of North Grenville for a construction contract of \$13,343,800 with expenses of \$876,467 incurred as of August 31, 2010.

14. Trust funds:

Trust funds administered by the Board amounting to \$2,705,193 (2009 - \$3,036,310) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Operations and Accumulated Surplus", in accordance with Public Sector Accounting Board's requirements.

15. Budget data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2010 budgets approved by the Board on July 15, 2009. Capitalization of assets, amortization, and gains and losses on disposal were not contemplated on development of the budget and, as such, have not been included. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2010 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

As the Consolidated Statement of Change in Net Debt is a new statement in 2009-10 financial statements, the budget figures in that statement have not been provided.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

16. Budget data (continued):

Consolidated Statement of Operations Year ended August 31, 2010

	2009-2010 Budget (unaudited)	2009-2010 Budget (restated, note 2 unaudited)
Total revenue	\$ 334,980,401	\$ 334,980,401
Expenses:		
Total expenses as in the 2009-10 budget	345,791,041	345,791,041
Less: capital asset Expenditure	–	(25,380,575) (2,043,837)
Plus: amortization	–	10,439,469
	345,791,041	328,806,098
Annual surplus (deficit)	(10,810,640)	6,174,303
Change in amounts to be recovered	(2,581,913)	–
Accumulated surplus (deficit), beginning of year	(4,421,191)	88,446,761
Annual surplus (deficit), end of year	\$ (17,813,744)	\$ 94,621,064

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

17. Accumulated surplus:

Accumulated surplus consists of the following:

	2010	2009
Available for compliance – unappropriated		
Total operating accumulated surplus	\$ 3,141,974	\$ 1,567,926
Available for compliance – internally appropriated		
Retirement gratuities	1,246,589	1,165,069
Workers' Safety Insurance Board (WSIB)	1,681,591	1,634,235
Other purpose - operating	2,213,074	2,230,143
Other purpose - capital	1,966,715	106,166
Vankleek Hill Collegiate Institute capital	–	2,100,000
Total accumulated surplus available for compliance	10,249,943	8,803,539
Unavailable for compliance – externally appropriated		
Employee future benefits	(50,199,338)	(47,806,170)
Interest to be accrued	(1,303,429)	(1,313,021)
Vacation accrued	(1,497,586)	(1,392,881)
School generated funds	2,525,292	2,509,776
Investment in tangible capital assets	233,190,071	220,928,866
Debt	(77,341,150)	(77,548,843)
Not permanently financed amounts	(18,166,936)	(10,956,894)
Receivable from province re: capital wrap-up (note 3)	87,887,087	–
Portion of proceeds of disposition of disposed assets	636,180	–
Total externally appropriated	175,730,191	84,420,833
Total accumulated surplus	\$ 185,980,134	\$ 93,224,372

18. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2010.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2010

19. Future accounting for contributions used for capital:

In the Ministry of Finance Addendum to the 2010 Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management, the government provided direction to school boards on the accounting treatment of capital contributions. This addendum proposes that, effective the fiscal year beginning on September 1, 2010, school boards in Ontario will adopt accounting policies consistent with the Province of Ontario, which include a policy to recognize government transfers and external contributions used in the acquisition of tangible capital assets over the period that the asset is expected to provide service. This policy is to ensure consistency with the current practice of senior governments in Canada and other major broader public-sector organizations (hospitals, colleges and universities), and to ensure that school board operating surpluses or deficits are not distorted by capital grant revenues.

This accounting treatment is not currently a recognized option by the Public Sector Accounting Standards Board (PSAB) and could not be implemented within these financial statements.

20. Transportation consortium:

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

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

In the year, the Board paid \$107,731, and received \$284,491, relating to reimbursement for student transportation services received from, and provided to, the Catholic District School Board of Eastern Ontario. These amounts are included in transportation expenses and other school board revenue respectively on the statement of operations. The Board's share of the consortium start-up administration costs of \$15,983 are also included in transportation expense.