

Consolidated Financial Statements of

**THE UPPER CANADA DISTRICT
SCHOOL BOARD**

Year ended August 31, 2009

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Financial Statements

Year ended August 31, 2009

Management's Responsibility for the Financial Statements

Auditors' Report

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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

October 30, 2009



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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, 2009 and the consolidated statement of financial activities and 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 Ontario 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, 2009 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.

Chartered Accountants, Licensed Public Accountants

Ottawa, Canada

October 30, 2009

THE UPPER CANADA DISTRICT SCHOOL BOARD


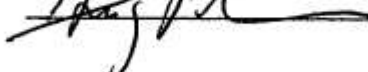
Consolidated Statement of Financial Position

August 31, 2009, with comparative figures for 2008

	2009	2008
Financial assets:		
Cash and cash equivalents	\$ 11,140,268	\$ -
Accounts receivable:		
Municipalities	3,479,015	5,017,185
Other	2,928,181	4,719,988
Investments (note 4)	1,643,173	1,580,924
Total financial assets	19,190,637	11,318,097
Financial liabilities:		
Temporary borrowing (note 3)	-	371,212
Accounts payable and accrued liabilities	16,759,628	13,771,953
Net long-term liabilities (note 7)	77,548,842	76,364,635
Deferred revenue:		
Reserves (note 5)	2,004,673	-
Other	2,775,816	2,458,535
Employee benefits payable (note 6(g))	47,806,170	45,977,284
Total financial liabilities	146,895,129	138,943,619
Non-financial assets:		
Prepaid expenses	-	15,160
Total non-financial assets	-	15,160
Net liabilities	\$ (127,704,492)	\$(127,610,362)
Financial position:		
Operating Fund	\$ -	\$ (6,702,936)
Capital Fund	(10,956,894)	(4,544,597)
Reserves and reserve funds (schedule)	8,803,538	5,801,807
School Activities Fund	2,509,776	2,661,684
Total Fund balance	356,420	(2,784,042)
Amounts to be recovered in future years (note 8):		
Net long-term liabilities (note 7)	(78,861,862)	(77,664,125)
Employee benefit obligations (note 6(g))	(49,199,050)	(47,162,195)
	(128,060,912)	(124,826,320)
Commitments and contingent liabilities (notes 11 and 12)		
Net financial position	\$ (127,704,492)	\$(127,610,362)

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, 2009, with comparative figures for 2008

	2009 Budget (Unaudited) (note 1(l))	2009 Actual	2008 Actual
Revenue:			
Local taxation	\$ 68,513,392	\$ 70,297,264	\$ 67,642,323
Provincial grants:			
Student focused funding	237,807,834	244,885,531	238,408,217
Other	1,099,636	4,136,883	4,539,402
Federal grants and fees	2,119,285	2,282,535	2,110,792
Other – school boards	751,000	759,142	1,262,147
Investment income	282,553	251,334	550,795
Other revenue	849,223	5,167,771	5,268,926
School – generated funds	–	9,437,724	9,816,534
Centre for Education and Training	–	2,786,881	1,412,243
	311,422,923	340,005,065	331,011,379
Expenditure (note 10):			
Instruction	231,138,030	244,023,914	237,924,929
Administration	8,745,627	9,993,290	9,305,343
Transportation	25,440,728	24,526,973	24,382,834
School operations and maintenance	30,013,448	30,755,269	30,700,102
Pupil accommodation	11,366,523	18,192,948	22,949,969
Other	–	250,946	404,545
School activities	–	9,589,632	9,838,143
Centre for Education and Training	–	2,751,075	1,420,998
	306,704,356	340,084,047	336,926,863
Net revenue (expenditure)	4,718,567	(78,982)	(5,915,484)
Increase (decrease) in prepaid expenses	–	(15,160)	15,160
Change in net assets (liabilities)	4,718,567	(94,142)	(5,900,324)
Financing and transfers:			
Long-term financing issued	8,849,873	3,393,200	14,558,685
Debt principal repayments and sinking fund contributions	(2,199,029)	(2,208,993)	(1,812,595)
Change in interest accrual	–	–	174,924
Change in employee benefits payable	(41,105)	2,050,397	3,082,845
Change in amounts to be recovered	6,609,739	3,234,604	16,003,859
Change in fund balances	11,328,306	3,140,462	10,103,535
Opening fund balances	(12,887,324)	(2,784,042)	(12,887,577)
Closing fund balances	\$ (1,559,018)	\$ 356,420	\$ (2,784,042)

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Statement of Changes in Financial Position

Year ended August 31, 2009, with comparative figures for 2008

	2009	2008
Operations:		
Net expenditure	\$ (78,982)	\$ (5,915,484)
Cash provided by (used in):		
Decrease (increase) in accounts receivable	3,320,034	(365,172)
Decrease (increase) in other financial assets	(52,303)	634,931
Increase (decrease) in accounts payable and accrued liabilities	2,987,675	(8,927,888)
Increase (decrease) in deferred revenue - reserves	2,004,673	(297,245)
Increase in deferred revenue - other	317,285	443,597
Increase in employee benefits payable	1,828,898	3,048,083
	10,406,262	(5,463,694)
Net increase (decrease) in cash from operations	10,327,280	(11,379,178)
Financing:		
Long-term liabilities issued	3,393,200	14,558,685
Debt repayment	(2,208,993)	(1,812,595)
Net increase in cash from financing	1,184,207	12,746,090
Increase in cash and cash equivalents	11,511,487	1,366,912
Cash and cash equivalents, beginning of year	(371,219)	(1,738,131)
Cash and cash equivalents, end of year	\$ 11,140,268	\$ (371,219)

See accompanying notes to consolidated financial statements.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2009

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 ("PSAB") 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, 2009

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) Capital assets:

The historical cost and accumulated amortization of capital assets are solely reported in note 2. 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 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, 2009

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 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) Reserves and reserve funds:

Certain amounts, as approved by the Board of 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.

(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 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 reviews its operating and capital budgets annually. The approved operating and capital budgets for 2009 are reflected on the Schedules of Operating and Capital Fund Operations. Budget figures have not been audited and are presented for information purposes.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

1. Significant accounting principles (continued):

(l) Budget figures (continued):

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.

(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 in performing actuarial valuation for employee future benefits payable.

In addition, the Board's ultimate 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, 2009, these amounts and the related estimation techniques have been disclosed in note 2.

(n) Financial instruments:

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

2. Tangible capital assets:

For the fiscal year ending August 31, 2010, the Board will be required to report the historical cost and the accumulated amortization of tangible capital assets in its financial statements in accordance with the Public Sector Accounting Handbook PS3150 – Tangible Capital Assets. For 2009, Public Sector Guideline 7 requires the disclosure of tangible capital asset information in the notes to the financial statements to the extent that reliable information is available.

Upon implementation, tangible capital assets will be recorded at historical cost. 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.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

2. Tangible capital assets (continued):

Land and buildings are recorded at historical cost where available. Where historical cost is not available, an alternative method of valuation has been used by the Ministry of Education. These methods include an estimate of historical costs using an estimation methodology called the Book Value Calculator, using historical information provided by the Board, and appraiser estimates. Other asset classes are recorded at historical cost where adequate information was available. If adequate information was not available, an alternative method was used to estimate a reasonable cost.

Amortization is calculated on a straight-line basis over the estimated useful life of the assets. The Board has \$18,671,615 in tangible capital assets not being amortized: \$18,596,636 of buildings under construction and \$74,979 of pre-acquisition costs. The land and buildings permanently removed from service are assets that the Board is either attempting to sell or planning to demolish.

Amortization is calculated on a straight-line basis over the estimated useful life of the tangible capital assets 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

Cost	Balance at August 31, 2008	Additions	Disposals, write-offs and adjustments	Balance at August 31, 2009
Land	\$ 3,914,731	\$ 70,063	\$ —	\$ 3,984,794
Land improvements	3,871,888	—	(1,455,702)	2,416,186
Buildings	258,708,372	4,354,783	(517,000)	262,546,155
Portable structures	4,444,100	—	(599,400)	3,844,700
First-time equipping of schools	2,283,934	199,513	—	2,483,447
Furniture	636,833	85,129	—	721,962
Equipment	2,421,931	308,580	—	2,730,511
Computer hardware	5,677,585	4,914,387	—	10,591,972
Computer software	4,412,812	852,563	—	5,265,375
Vehicles	293,890	51,563	(56,361)	289,092
Construction in progress	9,839,148	8,076,729	680,759	18,596,636
Pre-acquisition costs	230,587	525,151	(680,759)	74,979
Assets permanently removed from service	256,066	—	(256,066)	—
Total	\$ 296,991,877	\$ 19,438,461	\$ (2,884,529)	\$ 313,545,809

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

2. Tangible capital assets (continued):

Accumulated amortization	Balance at August 31, 2008	Amortization	Disposals, write-offs and adjustments	Balance at August 31, 2009
Land	\$ -	\$ -	\$ -	\$ -
Land improvements	366,042	209,602	(137,185)	438,459
Buildings	72,155,042	6,527,946	688	78,683,676
Portable structures	3,802,247	208,525	(599,400)	3,411,372
First-time equipping of schools	733,648	238,369	-	972,017
Furniture	265,307	67,940	-	333,247
Equipment	743,922	242,488	-	986,410
Computer hardware	3,000,916	1,626,956	-	4,627,872
Computer software	2,259,084	967,819	-	3,226,903
Vehicles	117,256	51,227	(56,361)	112,122
Assets permanently removed from service	182,802	3,201	(186,003)	-
Total	\$ 83,626,266	\$ 10,144,073	\$ (978,261)	\$ 92,792,078

	Net book value August 31, 2008	Net book value August 31, 2009
Land	\$ 3,914,731	\$ 3,984,794
Land improvements	3,505,846	1,977,727
Buildings	186,553,330	183,862,479
Portable structures	641,853	433,328
First-time equipping of schools	1,550,286	1,511,430
Furniture	371,526	388,715
Equipment	1,678,009	1,744,101
Computer hardware	2,676,669	5,964,100
Computer software	2,153,728	2,038,472
Vehicles	176,634	176,970
Construction in progress	9,839,148	18,596,636
Pre-acquisition costs	230,587	74,979
Assets permanently removed from service	73,264	-
Total	\$ 213,365,611	\$ 220,753,731

Included in the disposals, write-offs and adjustments column are adjustments of \$256,066 cost and \$186,003 of accumulated amortization for the period for building assets permanently removed from service in the year.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

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 (2008 - \$25,000,000) to finance operations, with a \$Nil (2008 - \$3,696,268) balance drawn as at August 31, 2009.

Facility (2): The Board has a revolving term loan of up to \$8,850,000 (2008 - \$15,000,000) to finance capital expenditures under the Ministry of Education's Good Places to Learn Program, with \$Nil (2008 - \$Nil) utilized as at August 31, 2009.

Facility (3): The Board has a revolving facility by way of a series of term loans of up to \$6,000,000 (2008 - \$4,000,000) for the acquisition of capital assets with \$Nil (2008 - \$Nil) utilized as at August 31, 2009.

4. Investments:

Investments consist of marketable securities and are comprised as follows:

	Cost	2009 Market value	Cost	2008 Market value
Fixed income securities	\$ 1,643,173	\$ 1,665,929	\$ 1,580,924	\$ 1,575,179

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:

	2009	2008
Proceeds of disposition	\$ 2,874	\$ -
Reserve for Special Education	790,150	-
Energy Efficient Schools	1,211,649	-
	\$ 2,004,673	\$ -

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

5. Deferred revenue (continued):

The proceeds of disposition deferred revenue is composed of proceeds from the sale of land.

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

The energy efficient schools deferred revenue is a new funding program for 2008-09 and pertains to any amounts deferred for future projects to reduce energy consumption in schools.

6. 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. The Board contributions equal the employee contributions to the plan. During the year ended August 31, 2009, the Board contributed \$2,855,015 (2008 - \$2,934,125) 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 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, 2009 amount to \$1,392,881 (2008 - \$1,184,911) and are reported as part of the accounts payable and accrued liabilities.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

6. Employee benefits payable (continued):

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

Retirement gratuities:

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

The amount of the accrued benefit payable for retirement gratuities has been actuarially determined using the Projected Unit Credit Actuarial Cost Method pro-rated on services as at August 31, 2009 and is \$31,024,179 (2008 - \$29,555,491). Retirement gratuities (continued):

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.

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, 2009 and is \$15,002,224 (2008 - \$14,488,460).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

6. Employee benefits payable (continued):

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

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, 2009 and is \$219,474 (2008 - \$227,336).

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

	2009	2008
	%	%
Rate of return on plan assets	6.25	6.25
Wage and salary escalation	3.25 ¹	3.75
Discount on accrued benefit obligations	4.75	4.75
Dental benefits	6.0 ²	7.0
Health benefits	10.0 ³	11.0

¹ Salary growth 3.25% per annum for five years; 3.5% per annum plus experience-related increases for members of the Ontario Teachers' Pension Plan.

² Dental benefits escalation 6% in 2009-2010 decreasing by .05% per annum to an ultimate rate of 4%.

³ Health benefits escalation 10% in 2009-2010 decreasing by .05% per annum to an ultimate rate of 5%.

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 \$1,165,069 at August 31, 2009 (2008 - \$983,747).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

6. Employee benefits payable (continued):

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

Post-retirement benefits (continued):

	2009		2008	
	Retirement Gratuities	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued benefit liability, September 1	\$ 29,555,491	\$ 14,715,796	\$ 44,271,287	\$ 41,641,384
Current year benefit cost	2,729,924	1,353,717	4,083,641	4,025,713
Net amortization of actuarial losses (gains)	724,885	494,417	1,219,302	1,194,934
Interest on accrued benefit obligation	1,757,409	937,444	2,694,853	2,630,902
Benefits paid for the period	(3,743,530)	(2,279,676)	(6,023,206)	(5,221,646)
Accrued benefit liability, August 31	\$ 31,024,179	\$ 15,221,698	\$ 46,245,877	\$ 44,271,287
Net employee future benefit expenses ¹	\$ 1,468,688	\$ 505,902	\$ 1,974,590	\$ 2,629,903

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, 2009

6. Employee benefits payable (continued):

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

Accumulated sick leave (continued):

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

	2009	2008
Accrued benefit obligation	\$ 55,937,364	\$ 55,661,687
Unamortized actuarial losses	(9,691,487)	(11,390,400)
	<u>\$ 46,245,877</u>	<u>\$ 44,271,287</u>

Employee benefits obligations:

Employee benefits obligations are comprised of:

	2009	2008
Retirement gratuities	\$ 36,558,609	\$ 36,139,907
Accumulated sick leave – non-vesting and other post-retirement benefits	19,378,755	19,521,780
	<u>\$ 55,937,364</u>	<u>\$ 55,661,687</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 \$1,634,235 as at August 31, 2009 (2008 - \$1,580,924).

The amount of liability for WSIB that was actuarially determined as at August 31, 2009 is \$1,560,292 (2008 - \$1,705,997).

(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, 2009

6. Employee benefits payable (continued):

(g) Employee benefits payable:

Employee benefits payable are comprised of:

	2009	2008
Retirement gratuities	\$ 31,024,179	\$ 29,555,491
Other employee future benefits	15,221,698	14,715,796
Workplace Safety and Insurance Board obligations	1,560,292	1,705,997
	47,806,169	45,977,284
Accrued vacation pay	1,392,881	1,184,911
	\$ 49,199,050	\$ 47,162,195

7. Net long-term liabilities:

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

	2009	2008
Debentures	\$ 77,548,841	\$ 76,364,635
Interest accrual	1,313,021	1,299,490
	\$ 78,861,862	\$ 77,664,125

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

7. Net long-term liabilities (continued):

The debentures totalling \$78,358,324 (2008 - \$77,014,850) consist of the following:

	2009	2008
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	\$ 24,584,706	\$ 25,222,088
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	10,914,860
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	12,446,398	12,783,909
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	1,688,000	1,839,000
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	6,189,000	6,679,000
Amortizing debenture payable, bearing interest at 4.56% payable semi-annually starting May 15, 2007, principal payable November 15, 2031	4,894,558	5,017,308
Amortizing debenture payable, bearing interest at 4.90% payable semi-annually starting May 15, 2008, principal payable March 3, 2033	14,247,602	14,558,685
Amortizing debenture payable, bearing interest at 5.062% payable semi-annually starting May 15, 2009, principal payable March 13, 2034	3,393,200	–
	\$ 78,358,324	\$ 77,014,850

Series 2003-A1 debentures are secured by sinking fund assets of \$809,482 (2008 - \$650,215).

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

7. Net long-term liabilities (continued):

Principal and interest payments relating to the Board's debentures outstanding as at August 31, 2009 are due as follows:

	Principal	Interest	Total
2009-2010	\$ 2,239,845	\$ 4,266,065	\$ 6,505,910
2010-2011	2,370,012	4,134,672	6,504,684
2011-2012	2,508,758	3,995,253	6,504,011
2012-2013	2,656,332	3,847,109	6,503,441
Thereafter	68,583,377	30,022,112	98,605,489
	78,358,324	46,265,211	124,623,535
Less: equity in sinking fund	(809,482)	—	(809,482)
Net long-term liabilities	\$ 77,548,842	\$ 46,265,211	\$ 123,814,053

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:

	2009	2008
Capital outlay to be recovered in future years:		
Net long-term debt (note 7)	\$ (77,548,840)	\$ (76,364,635)
Interest accrual	(1,313,021)	(1,299,490)
Amounts to be financed in future years:		
Retirement and other employee future benefits liability (note 6)	(47,806,170)	(45,977,284)
Accrued vacation pay	(1,392,881)	(1,184,911)
	\$ (128,060,912)	\$ (124,826,320)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

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 is:

	2009	2008
Principal payments on long-term liabilities (includes sinking fund contributions)	\$ 2,208,993	\$ 1,793,167
Interest payments on long-term liabilities	4,244,651	3,745,967
	<u>\$ 6,453,644</u>	<u>\$ 5,539,134</u>

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:

	2009 Actual	2008 Actual
Operating fund expenditures by object:		
Salary and wages	\$ 212,602,133	\$ 209,216,029
Employee benefits	33,759,572	34,511,052
Staff development	1,667,199	1,627,231
Supplies and services	22,078,572	20,694,687
Replacement furniture and equipment	840,991	1,143,828
Interest	4,291,100	4,215,598
Rental expenditures	1,352,388	1,195,473
Fees and contract services	30,343,756	30,505,592
Other	572,918	542,127
Capital expenditures	20,234,711	22,016,105
School activities	9,589,632	9,838,143
Centre for Education and Training	2,751,075	1,420,998
	<u>\$ 340,084,047</u>	<u>\$ 336,926,863</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.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements (continued)

Year ended August 31, 2009

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) 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 \$13,748,700 with expenditures of \$2,450,013, incurred as of August 31, 2009 (2008 - \$203,191).

13. Trust funds:

Trust funds administered by the Board amounting to \$3,036,310 (2008 - \$2,637,879) have not been included in the "Consolidated Statement of Financial Position" nor have their operations been included in the "Consolidated Statement of Financial Activities", in accordance with Public Sector Accounting Board's requirements.

14. Comparative figures:

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Operating Fund

Year ended August 31, 2009, with comparative figures for 2008

	2008-2009 Budget (unaudited) (Note 1(l))	2008-2009 Actual	2007-2008 Actual
Revenues:			
Local taxation	\$ 68,513,392	\$ 70,297,264	\$ 67,642,323
Provincial legislative grants	237,807,834	244,885,531	238,408,217
Provincial grants – other	1,099,636	4,136,883	4,539,402
Federal grants and fees	2,119,285	2,282,535	2,110,792
Other revenues – school boards	751,000	759,142	1,262,147
Other fees and revenues	849,223	5,167,771	4,958,582
Investment income	282,553	167,858	446,457
Centre for Education and Training	–	2,786,881	1,412,243
	311,422,923	330,483,865	320,780,163
Expenditures:			
Instruction	229,691,961	238,511,422	235,081,669
Administration	8,737,627	9,403,408	9,220,899
Transportation	25,440,728	24,471,492	24,382,834
School operations and maintenance	29,788,448	30,558,700	30,521,935
Pupil accommodation	4,390,472	4,312,661	4,039,735
Other	–	250,946	404,545
Centre for Education and Training	–	2,751,075	1,420,998
	298,049,236	310,259,704	305,072,615
Net revenues	13,373,687	20,224,161	15,707,548
Increase (decrease) in prepaid expenses	–	(15,160)	15,160
Increase (decrease) in non-financial assets	–	(15,160)	15,160
Debt principal repayments	(2,199,029)	(2,208,993)	(1,812,595)
Increase (decrease) in unfunded expense for employee benefit obligations	(41,105)	2,050,397	3,257,769
Change in amounts to be recovered	(2,240,134)	(158,596)	1,445,174
Net transfers to other funds:			
Capital fund	(9,233,553)	(8,929,214)	(15,575,416)
Reserve funds	–	(4,418,255)	(79,671)
Net transfers to other funds	(9,233,553)	(13,347,469)	(15,655,087)
Change in operating fund balance	1,900,000	6,702,936	1,512,795
Opening balance – operating fund	(6,485,905)	(6,702,936)	(8,215,731)
Closing balance – operating fund	\$ (4,585,905)	\$ –	\$ (6,702,936)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Capital Fund

Year ended August 31, 2009, with comparative figures for 2008

	2008-2009 Budget (unaudited) (Note 1(I))	2008-2009 Actual	2007-2008 Actual
Revenue:			
Other	\$ -	\$ -	\$ 310,344
Expenditures:			
Instruction	1,446,069	5,512,492	2,843,260
Administration	8,000	589,882	84,444
Transportation	-	55,481	-
School operations and maintenance	225,000	196,569	178,167
Pupil accommodation	6,976,051	13,880,287	18,910,234
	8,655,120	20,234,711	22,016,105
Net expenditures	(8,655,120)	(20,234,711)	(21,705,761)
Long-term financing	8,849,873	3,393,200	14,558,685
Change in amounts to be recovered	8,849,873	3,393,200	14,558,685
Net transfers from other funds:			
Operating fund	9,233,553	8,929,214	15,575,416
Reserve fund	-	1,500,000	-
Net transfers from other funds	9,233,553	10,429,214	15,575,416
Change in capital fund balance	9,428,306	(6,412,297)	8,428,340
Opening balance – capital fund	(8,849,873)	(4,544,597)	(12,972,937)
Closing balance – capital fund	\$ 578,433	\$ (10,956,894)	\$ (4,544,597)

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Reserves and Reserve Funds

Year ended August 31, 2009, with comparative figures for 2008

	2008-2009 Budget (unaudited) (Note 1(l))	2008-2009 Actual	2007-2008 Actual
Revenue:			
Investment income	\$ –	\$ 83,476	\$ 104,338
Net transfers from other funds:			
Transfers from operations	–	4,418,255	79,671
Transfers to capital fund	–	(1,500,000)	–
Net transfers from other funds	–	2,918,255	79,671
Change in reserve and reserve fund balance	–	3,001,731	184,009
Opening balance – reserve fund	2,448,454	5,801,807	5,617,798
Closing balance – reserve fund	\$ 2,448,454	\$ 8,803,538	\$ 5,801,807

THE UPPER CANADA DISTRICT SCHOOL BOARD

Schedule of Reserves and Reserve Funds

Year ended August 31, 2009

	Classroom reserve	Working funds	Retirement gratuities	Workplace safety insurance	Other capital	Proceeds of disposition	Total
Opening balance	\$ 1,565,448	\$ 1,567,926	\$ 983,747	\$ 1,580,924	\$ 103,762	\$ -	\$ 5,801,807
Transfer to reserves	2,230,143	1,500,000	179,500	-	2,100,000	-	6,009,643
Transfer from reserves	(1,565,448)	(1,500,000)	(25,940)	-	-	-	(3,091,388)
Interest on reserves	-	-	27,762	53,311	2,403	-	83,476
Ending balance	\$ 2,230,143	\$ 1,567,926	\$ 1,165,069	\$ 1,634,235	\$ 2,206,165	\$ -	\$ 8,803,538

THE UPPER CANADA DISTRICT SCHOOL BOARD

Consolidated Schedule of School Activities Fund

Year ended August 31, 2009, with comparative figures for 2007

	2008-2009 Budget (unaudited) (Note 1(I))	2008-2009 Actual	2007-2008 Actual
Revenues:			
Elementary schools fundraising and other revenues	\$ –	\$ 5,077,428	\$ 5,194,442
Secondary schools fundraising and other revenues	–	4,360,296	4,622,092
Total school fundraising and other revenues	–	9,437,724	9,816,534
Expenditures:			
School funded activities	–	9,589,632	9,838,143
Change in school activities fund	–	(151,908)	(21,609)
Opening balance – school activities fund	–	2,661,684	2,683,293
Closing balance – school activities fund	\$ –	\$ 2,509,776	\$ 2,661,684