

Consolidated Financial Statements of

TORONTO DISTRICT SCHOOL BOARD

August 31, 2005

Auditors' Report

To the Board of Trustees of
the Toronto District School Board

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

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

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

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

We issued our audit report dated December 1, 2004 (except for Note 14, which was as of December 17, 2004) on the financial statements as at and for the year ended August 31, 2004. Our audit report contained a qualification with respect to the non-recording of school-generated fund balances and activities.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
November 16, 2005

TORONTO DISTRICT SCHOOL BOARD

Table of Contents

August 31, 2005

	<u>Page</u>
Consolidated Statement of Financial Position	1
Consolidated Statement of Financial Activities and Fund Balance	2
Consolidated Statement of Changes in Financial Position	3
Schedule of Operating Fund Activities and Fund Balance - Schedule 1	4
Schedule of Capital Fund Activities and Fund Balance - Schedule 2	5
Schedule of Reserve Fund Activities and Fund Balance - Schedule 3	6
Schedule of School Generated Fund Activities and Fund Balance – Schedule 4	7
Notes to the Consolidated Financial Statements	8-22

TORONTO DISTRICT SCHOOL BOARD
Consolidated Statement of Financial Position

August 31, 2005

(in thousands of dollars)

	<u>2005</u>	<u>2004</u> (Restated - (Note 2(b)(i))
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 28,922	\$ 7,007
Due from City of Toronto	217,868	240,659
Accounts receivable	29,436	16,338
Total financial assets	276,226	264,004
LIABILITIES		
Short term borrowing - City of Toronto	10,000	-
Accounts payable and accrued liabilities	134,797	113,907
Due to Province of Ontario	3,563	43,466
Accrued vacation pay	12,109	11,189
Deferred revenue		
Reserve funds (Note 3)	63,929	76,928
Other	31,879	22,454
Employee future benefits payable (Notes 2(b) and 4)	416,880	403,334
Net long term debt (Note 5)	106,512	140,346
Total liabilities	779,669	811,624
 Net financial liabilities	 (503,443)	 (547,620)
 NON-FINANCIAL ASSET - Prepaid expenses	 5,341	 5,887
NET LIABILITIES	\$ (498,102)	\$ (541,733)
FINANCIAL POSITION		
Fund balances		
Operating Fund - Schedule 1	\$ -	\$ 10,774
Capital Fund - Schedule 2	(1,287)	(35,378)
Reserve Fund - Schedule 3 (Note 6)	28,637	41,342
School Generated Activity Fund - Schedule 4 (Note 2(a))	14,059	-
Total fund balances	41,409	16,738
 Amounts to be recovered in future years (Note 7)	 (539,511)	 (558,471)
NET FINANCIAL POSITION	\$ (498,102)	\$ (541,733)

COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)

APPROVED BY THE BOARD

.....
 Director of Education and Secretary Treasurer



 Chair of the Board

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD
Consolidated Statement of Financial Activities and Fund Balance
Year ended August 31, 2005
(in thousands of dollars)

	2005		2004
	Budget (unaudited)	Actual	Actual (Restated - (Note 2(b)(i))
REVENUES			
Local taxation	\$ 1,384,156	\$ 1,396,818	\$ 1,375,950
Provincial grants			
Student focused funding	740,302	772,739	726,553
Other (Note 5(b))	442	76,281	3,491
Federal grants and fees	35,519	32,746	28,415
Other fees and revenues	72,208	115,333	83,420
School Fundraising (Note 2(a))	-	37,829	-
Total revenues	2,232,627	2,431,746	2,217,829
EXPENDITURES (Note 8)			
Instruction	1,722,728	1,796,860	1,721,568
Administration	101,279	91,396	88,217
Transportation	38,389	38,920	36,273
School operations and maintenance	281,951	292,752	266,483
Pupil accommodation	71,700	127,506	62,250
Other	-	-	-
School funded activities (Note 2 (a))	-	37,705	-
Total expenditures	2,216,047	2,385,139	2,174,791
NET REVENUE	16,580	46,607	43,038
(DECREASE) INCREASE IN NON-FINANCIAL ASSETS - prepaid expenses	-	(546)	2,266
CHANGE IN NET LIABILITIES	16,580	46,061	45,304
FINANCING TRANSACTIONS			
Debt repayments - principal	(15,346)	(18,634)	(28,308)
Debt retirement (Note 5(b))	-	(55,200)	-
Debt Issue (Note 5(b) and (c))	-	40,000	55,200
Increase in unfunded liabilities (net of restatement - Note 2(b)(ii))	-	(1,490)	(1,699)
CHANGE IN AMOUNTS TO BE RECOVERED	(15,346)	(35,324)	25,193
CHANGE IN FUND BALANCE	1,234	10,737	70,497
FUND BALANCE, BEGINNING OF YEAR			
As previously reported	5,963	16,737	(53,760)
School Generated Activity Fund (Note 2(a))	-	13,935	-
As restated	5,963	30,672	(53,760)
FUND BALANCE, END OF YEAR	\$ 7,197	\$ 41,409	\$ 16,737

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD
Consolidated Statement of Changes in Financial Position

Year ended August 31, 2005

(in thousands of dollars)

	<u>2005</u>	<u>2004</u>
		(Restated - (Note 2(b)(i)))
NET INFLOW (OUTFLOW) OF CASH AND CASH EQUIVALENTS RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Net revenue	\$ 46,607	\$ 43,038
Item not affecting cash		
Provincial grant/debt retirement (Note 5(b))	(55,200)	-
	<u>(8,593)</u>	<u>43,038</u>
Sources and uses		
Decrease (increase) in due from City of Toronto	22,791	(122,002)
Increase in accounts receivable	(13,098)	(5,656)
Increase (decrease) in accounts payable and accrued liabilities and accrued vacation pay	21,810	(23,964)
Decrease in due to Province of Ontario	(39,903)	(23,907)
(Decrease) increase in deferred revenues		
Reserves funds	(12,999)	42,205
Other	9,425	16,122
Decrease in employee future benefits payable (net of restatement, Note 2(b)(ii))	(2,819)	(409)
Net decrease in cash and cash equivalents from operations	<u>(23,386)</u>	<u>(74,573)</u>
FINANCING TRANSACTIONS		
Short term borrowing	10,000	-
Debt repayments	(18,634)	(28,308)
Debt issue (Note 5(b) and (c))	40,000	55,200
	<u>31,366</u>	<u>26,892</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>7,980</u>	<u>(47,681)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
As previously stated	7,007	54,688
School Activity Fund (Note 2(a))	13,935	-
As restated	<u>20,942</u>	<u>54,688</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 28,922</u>	<u>\$ 7,007</u>

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD
Schedule of Operating Fund Activities and Fund Balance

Year ended August 31, 2005

(in thousands of dollars)

Schedule 1

	2005		2004
	Budget (unaudited)	Actual	Actual
REVENUES			
Local taxation	\$ 1,384,156	\$ 1,396,818	\$ 1,375,950
Provincial grants			
Student focused funding	740,302	772,739	726,553
Other	442	76,281	3,491
Federal grants and fees	35,519	32,746	28,415
Other fees and revenues	72,208	110,623	74,334
Total revenues	2,232,627	2,389,207	2,208,743
EXPENDITURES			
Instruction	1,712,755	1,779,688	1,709,545
Administration	97,974	90,073	87,088
Transportation	38,389	38,920	36,272
School operations and maintenance	280,293	290,695	264,938
Pupil accommodation	16,701	7,294	5,594
Total expenditures	2,146,112	2,206,670	2,103,437
NET REVENUE	86,515	182,537	105,306
(DECREASE) INCREASE IN NON-FINANCIAL ASSETS			
Prepaid expenses	-	(546)	2,266
FINANCING TRANSACTIONS			
Debt repayments - Principal	(15,346)	(18,634)	(28,308)
Debt retirement (Note 5(b))	-	(55,200)	-
Debt issued (Note 5(b))	-	-	55,200
Increase in unfunded liabilities	-	(1,490)	(1,699)
CHANGE IN AMOUNTS TO BE RECOVERED	(15,346)	(75,324)	25,193
NET TRANSFERS TO OTHER FUNDS			
Transfers to Capital Fund	(69,935)	(94,768)	(55,812)
Transfers to Reserve Funds	(1,234)	(22,673)	(10,936)
Net transfers to other funds	(71,169)	(117,441)	(66,748)
CHANGE IN OPERATING FUND BALANCE	-	(10,774)	66,017
OPERATING FUND BALANCE, BEGINNING OF YEAR	-	10,774	(55,243)
OPERATING FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 10,774

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD
Schedule of Capital Fund Activities and Fund Balance

Year ended August 31, 2005

(in thousands of dollars)

Schedule 2

	2005		2004
	Budget (unaudited)	Actual	Actual
REVENUES			
Other revenues	\$ -	\$ 4,710	\$ 9,086
EXPENDITURES			
Instruction	9,973	17,172	12,023
Administration	3,305	1,324	1,131
School operations and maintenance	1,658	2,057	1,545
Pupil accommodation	54,999	120,212	56,655
Total expenditures	69,935	140,765	71,354
Net expenditure	(69,935)	(136,055)	(62,268)
LONG TERM FINANCING (Note 5(c))	-	40,000	-
NET TRANSFERS FROM			
Operating Fund	69,935	94,768	55,812
Reserve Fund	-	35,378	-
CHANGE IN CAPITAL FUND BALANCE	-	34,091	(6,456)
CAPITAL FUND BALANCE, BEGINNING OF YEAR	(35,378)	(35,378)	(28,922)
CAPITAL FUND BALANCE, END OF YEAR	\$ (35,378)	\$ (1,287)	\$ (35,378)

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD
Schedule of Reserve Fund Activities and Fund Balance

Year ended August 31, 2005

(in thousands of dollars)

Schedule 3

	2005		2004
	Budget (unaudited)	Actual	Actual
NET TRANSFERS (TO) FROM			
Operating Fund	\$ 1,234	\$ 22,673	\$ 10,936
Capital Fund	-	(35,378)	-
CHANGE IN RESERVE FUND BALANCE	1,234	(12,705)	10,936
RESERVE FUND BALANCE, BEGINNING OF YEAR	41,341	41,342	30,406
RESERVE FUND BALANCE, END OF YEAR	\$ 42,575	\$ 28,637	\$ 41,342

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD
Schedule of School Generated Fund Activities and Fund Balance

Year ended August 31, 2005

(in thousands of dollars)

Schedule 4

	2005		2004
	Budget	Actual	Actual
	(unaudited)		(Note 2(a))
REVENUES			
SCHOOL FUNDRAISING & OTHER REVENUE	\$ -	\$ 37,829	\$ -
EXPENDITURES			
SCHOOL FUNDED ACTIVITIES	-	37,705	-
CHANGE IN SCHOOL GENERATED ACTIVITY FUND BALANCE	-	124	-
SCHOOL GENERATED ACTIVITY FUND BALANCE, BEGINNING OF YEAR (Note 2(a))	-	13,935	-
SCHOOL GENERATED ACTIVITY FUND BALANCE, END OF YEAR	\$ -	\$ 14,059	\$ -

See accompanying notes to financial statements.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

Significant accounting policies adopted are as follows:

a) Reporting entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures and fund balances of the reporting entity. The reporting entity includes all organizations which are controlled by the Board.

School generated funds, which include the assets, liabilities, revenues, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board are reflected in the consolidated financial statements.

All material interdepartmental and inter-entity transactions and balances between these organizations are eliminated on consolidation.

b) Trust funds

Trust funds and their related operations administered by the Board amounting to \$5.5 million (2004 - \$4.3 million) are not included in the consolidated financial statements.

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 recognized as they are incurred and measurable as the result of the receipt of goods or services and the creation of a legal obligation to pay.

d) Cash and cash equivalents

Cash and cash equivalents are comprised of 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 an original maturity term of less than 90 days.

e) Capital assets

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as expenditures on the consolidated Statement of Financial Activities and Fund Balance in the year of acquisition.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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 will be recognized as revenue in the fiscal year the related expenditures are incurred or services are performed.

g) Retirement and other employee future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, sick leave credit gratuity, accumulated sick leave, workers' 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 and accumulate over the periods of service provided by employees, such as sick leave credit gratuities, 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 non-vesting accumulating sick days, the costs are actuarially determined using probabilities to estimate the number of sick days employees will use from the sick bank they have accumulated to the valuation date, August 31.

For those self insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' 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 obligations for workers' compensation are recognized immediately in the period they arise.

Actuarial gains and losses related to obligations for long-term disability are amortized over the expected average service life of the employee group.

- (ii) The Board's contributions to multi-employer defined benefit pension plans, such as the Ontario Municipal Employees Retirement System pensions, are recorded in the period in which they become payable.
- (iii) The costs of insured benefits for active employees reflected in these consolidated financial statements are the Board's portion of insurance premiums owed for coverage of employees during the period.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) 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 when approved.

i) 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, all eligibility criteria have been met and reasonable estimates of the amount can be made.

j) Investment income

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

Interest income earned on monies invested specifically for externally restricted funds is added to the fund balance and forms part of the respective deferred revenue balances.

k) Budget figures

Budget figures have been provided for comparison purposes and have been derived from the original budget approved by the Board of Trustees at the time of the submission of the Annual Estimates for 2004-2005 to the Ministry of Education on June 30, 2005. The budget approved by the Board of Trustees was 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 used to prepare the consolidated financial statements. The budget figures are unaudited.

l) 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 amounts 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 estimates. Estimates are reviewed periodically by management and, as adjustments become necessary, they are reported in the period in which they became known.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

2. ACCOUNTING CHANGES

a) *Change in accounting policy*

Effective for the fiscal year ended August 31, 2005, the Board has adopted the policy of recording the assets, liabilities, financial activities and fund balances of school generated funds that have been determined to be under the Board's control. Previously, the Board did not record school generated funds in the financial statements.

As a result of this change, cash and cash equivalents and the School Generated Activity Fund Balance have each increased by \$14.1 million as at August 31, 2005. As well, cash and cash equivalents and fund balance as at September 1, 2004, have each increased by \$13.9 million. In addition, revenues and expenditures have increased by \$37.8 million and \$37.7 million respectively and, net revenue has increased by \$.1 million for the year ended August 31, 2005.

This change in accounting policy has been applied retroactively, without restatement, as the information required to restate the prior years' figures was not available.

b) *Restatement of employee future benefits*

i) Non-vesting sick leave benefits

Effective for the fiscal year ended August 31, 2005, the Board has recorded a liability for the non-vesting portion of accumulated sick leave entitlements. Previously, only the vesting portion of accumulated sick leave entitlements were recorded in the financial statements.

As a result, employee future benefits payable, amounts to be recovered in future years, and net liabilities on the Consolidated Statement of Financial Position have each increased by \$100.8 million as at August 31, 2005 (2004 – \$100.6 million). As well, amounts to be recovered in future years on the Consolidated Statement of Financial Position as at September 1, 2003, have been increased by \$95.8 million. In addition, employee benefits expenditure and increase in unfunded liabilities on the Consolidated Statement of Financial Activities and Fund Balance have each increased by \$.2 million for the year ended August 31, 2005 (2004 - \$4.8 million).

The recording of the non-vesting sick leave benefits has been applied retroactively with restatement and accordingly the figures for the year ended August 31, 2004 have been restated.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

2. ACCOUNTING CHANGES (continued)

b) Restatement of employee future benefits (continued)

ii) Workplace Safety and Insurance Board Obligations

Effective for the fiscal year ended August 31, 2005, the Board has restated the liability for Workplace Safety and Insurance Board ("WSIB") obligations as a result of engaging an actuarial firm to determine the amount of the future compensation costs and future health care costs related to this obligation.

As a result of this restatement, employee future benefits payable, amounts to be recovered in future years, and net liabilities on the Consolidated Statement of Financial Position, have each increased by \$18.0 million as at August 31, 2005. As well, amounts to be recovered in future years on the Consolidated Statement of Financial Position as at September 1, 2004 have been increased by \$16.4 million. In addition, employee benefits expenditure and increase in unfunded liabilities on the Consolidated Statement of Financial Activities and Fund Balance have each increased by \$1.6 million.

This adjustment to WSIB obligations has been applied retroactively without restatement, as the information required to restate prior years' figures is not reasonably determinable.

3. DEFERRED REVENUE - RESERVE FUNDS

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

	<u>2005</u>	<u>2004</u>
Pupil Accommodation - Facilities Renewal	\$ 18,875	\$ 14,381
Proceeds of Disposition	26,477	48,566
Permanent Improvements	2,244	2,441
Assistance for Student Success	583	3,166
Phase IV Energy Project	3,872	8,282
Improved Access for Special Education	-	92
Program Improvement	11,878	-
	<u>\$ 63,929</u>	<u>\$ 76,928</u>

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

3. DEFERRED REVENUE - RESERVE FUNDS (continued)

The Continuity of Deferred Revenue - Reserve Funds of the Board is summarized below:

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 76,928	\$ 34,724
Restricted provincial grants	99,826	51,125
Proceeds of disposition	21,068	56,387
Interest earned	1,583	1,247
	<u>199,405</u>	<u>143,483</u>
Capital fund revenue earned	(44,951)	(10,533)
Phase IV project revenue earned	(4,410)	(9,086)
Provincial grants earned	(86,115)	(46,936)
Balance, end of year	<u>\$ 63,929</u>	<u>\$ 76,928</u>

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS

- (a) The Board provides certain benefits to employees and retirees the majority of which are unfunded and will require funding in future periods. An actuarial valuation of each respective plan was completed as of August 31, 2005. A brief overview of these benefit plans is set out below.

Pension benefits

- (i) *Supplementary War Veterans Allowance*

The Supplementary War Veterans Allowance Plan (the "Plan") consists of allowances to be paid to retired employees of the former Board of Education for the City of Toronto. The Plan is closed to new members. The Plan includes survivor benefits of 66 2/3% for the surviving spouse. The pension is subject to indexing at 100% of the increase in CPI. This Plan is unfunded.

- (ii) *The Toronto District School Board Business and Support Employees' Paid-up Pension Plan (Formerly the North York Board of Education (the Plan))*

The Plan relates to the non-teaching employees of the former North York Board of Education who were hired before July 1, 1965 and who had paid-up entitlement in the former Metropolitan Toronto Pension Plan for service before their date of transfer to the OMERS Plan. The Plan has been closed to new members since July 1, 1965. The Plan includes, among other provisions, survivor benefits of 66 2/3% of the members' full accrued pension. The Plan has been subject to indexing at 100% of the increase in the CPI. The Plan is fully funded.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(a) (continued)

Retirement benefits

(i) *Sick leave credit gratuities*

The Board provides sick leave credit gratuities to certain groups of employees. The amount of the gratuities paid to eligible employees at retirement, death or total disability is based on their salary, accumulated sick days, and years of service at the time of the event. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are recorded in the Board's consolidated financial statements.

(ii) *Retirement life insurance and health care benefits*

Employees are able to continue coverage for life insurance, dental and health care benefits after retirement until the members reach 65 years of age; however, the retirees pay the full premium associated with this coverage. For those employees retiring before September 1, 2004 the premiums are partially subsidized by the Board, as the retirees are in the same experience group as the active employees. All retirees on or after September 1, 2004 are not subsidized by the Board. The future liability of these benefits is unfunded.

Other employee future benefits

(i) *Workplace Safety and Insurance Board Obligations*

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

(ii) *Long-term disability benefits*

The Board provides long term disability insurance coverage for non-teaching employees. The benefit costs and actuarially determined liabilities related to this plan are included in the Board's financial statements. This benefit plan is funded.

Teaching staff have their own long term disability plans through their Federations and are responsible for the entire cost. Accordingly, no costs or liabilities related to these plans are included in the Board's consolidated financial statements.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(a) (continued)

Other employee future benefits (continued)

(ii) *Long-term disability benefits (continued)*

The Board provides life insurance, dental and health care benefits to employees on long-term disability leave for a period of two years after the date of disability. The insurance carriers waive the life insurance premiums for employees on long-term disability; however, the Board and employee are responsible for the payment of the costs of health care benefits under this plan under the same cost-sharing arrangements to which the employee would be entitled as an active employee. Continuation of dental coverage is also available subject to the employee paying the full cost.

(iii) *Non-Vesting Sick Leave*

The Board provides accumulating, non-vesting sick day entitlements which may be used by the employee through paid time off. The benefit costs and liabilities related to the portion of the "sick days" accumulated to the fiscal year end and considered likely to be used by employees based on actuarially determined probabilities relating to usage, salary escalation and discount rates, are recorded in the Board's consolidated financial statements.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(b) Retirement and other employee future benefits liabilities

	2005				2004
	Pension Benefits	Retirement Benefits	Other Benefits	Total	Total
Accrued benefit obligation					
Balance, beginning of year	\$ 20,689	\$ 243,647	\$ 228,150	\$ 492,486	\$ 469,834
Employer current service cost	-	13,028	21,237	34,265	33,101
Employees' contributions	-	-	-	-	-
Interest cost	1,028	14,337	8,563	23,928	24,392
Benefits paid	(2,208)	(30,127)	(25,808)	(58,143)	(55,955)
Actuarial losses	416	24,996	7,808	33,220	4,109
Plan amendments	125	-	-	125	639
Balance, end of year	\$ 20,050	\$ 265,881	\$ 239,950	\$ 525,881	\$ 476,120
Plan Assets					
Fair value, beginning of year	\$ 13,583	\$ -	\$ 64,864	\$ 78,447	\$ 74,821
Actual return on plan assets	1,403	-	2,602	4,005	3,379
Employer contributions	1,051	30,127	26,182	57,360	55,064
Employees' contributions	-	-	-	-	-
Valuation allowance	(3,730)	-	3,650	(80)	(2,117)
Benefits paid	(2,208)	(30,127)	(25,809)	(58,144)	(55,955)
Fair value, end of year	\$ 10,099	\$ -	\$ 71,489	\$ 81,588	\$ 75,192
Funded status					
Plan deficit	\$ (9,951)	\$ (265,881)	\$ (168,461)	\$ (444,293)	\$ (400,928)
Unamortized net actuarial loss (gain)	-	27,403	10	27,413	(2,406)
Accrued benefit liability	\$ (9,951)	\$ (238,478)	\$ (168,451)	\$ (416,880)	\$ (403,334)

(c) Retirement and other employee future benefits expenses

	2005				2004
	Pension Benefits	Retirement Benefits	Other Benefits	Total	Total
Current service cost	\$ -	\$ 13,028	\$ 22,835	\$ 35,863	\$ 33,101
Interest cost	1,066	14,337	8,563	23,966	24,354
Expected return on plan assets	(729)	-	(2,602)	(3,331)	(3,128)
Amortization of past service costs	-	-	-	-	639
Amortization of net actuarial loss (gain)	305	249	(915)	(361)	(784)
Increase (decrease) in valuation allowance	(1)	-	-	(1)	474
Net benefit plan expense	\$ 641	\$ 27,614	\$ 27,881	\$ 56,136	\$ 54,656

These amounts are included in the respective expenditure categories on the Consolidated Statement of Financial Activities and Fund Balance.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(d) Actuarial assumptions

The accrued benefit obligations for retirement and other employee future benefit plans as at August 31, 2005 are based on actuarial valuations for accounting purposes as at August 31, 2005. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	<u>2005</u>	<u>2004</u>
Estimated inflation:		
Health	12.00%	11.00%
Dental	8.00%	4.00%
War veterans	2.40%	2.75%
North York pension	2.40%	2.75%
WSIB	2.40%	3.00%
LTDI	3.00%	3.75%
Wage and salary escalation	2.0% - 3.0%	2.00% - 2.50%
Discount on accrued benefit obligations		
Sick leave credit gratuity	4.50%	6.25%
Life, health and dental	4.50%	5.50%
War veterans	4.50%	5.25%
North York pension	4.50%	5.50%
WSIB	4.50%	6.50%
LTDI	4.50%	4.00%
Sick Leave Accumulation	4.50%	n/a
Expected rate of return on plan assets	4.00% - 5.25%	4.00% - 5.50%

(e) Multi Employer Pension Plans

(i) *Ontario Teachers' Pension Plan*

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

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

4. RETIREMENT AND OTHER EMPLOYEE FUTURE BENEFITS (continued)

(e) Multi Employer Pension Plans (continued)

(ii) *Ontario Municipal Employees Retirement System*

Non-teaching employees of the Board 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. During the period from January 1, 2003 to December 31, 2003, eligible employees contributed at reduced rates of up to 2.6% of earnings. Effective January 1, 2004, employee contribution rates returned to their full level. The Board's contributions equal the employees' contributions to the Plan. During the year ended August 31, 2005, the Board contributed \$ 22.9 million (2004 - \$14.4 million) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses. No pension liability for this type of plan is included in the Board's consolidated financial statements.

5. NET LONG-TERM DEBT

(a) Net long-term debt reported in the Consolidated Statement of Financial Position is comprised of the following:

	<u>2005</u>	<u>2004</u>
Ontario Financing Authority Debenture (Note 5 b)	\$ -	\$ 55,200
5.071% Amortizing Debenture (Note 5(c))	39,411	-
City of Toronto Debentures, net of sinking fund assets (Note 5d)	65,901	81,368
City of Toronto Capital Loan (floating interest rate; maturing August 31, 2009)	1,200	3,778
Balance as at August 31	\$ 106,512	\$ 140,346

(b) The Board approved the issuance of a \$55.2 million debenture to the Ontario Financing Authority on March 31, 2004 to finance the deficit from the 2002-2003 fiscal year. The debenture was for a 10-year term with interest at 3.999%. Interest and principal repayments were to commence in March 2008. By Order in Council dated August 18, 2005, the Board was released from its obligation to repay the \$55.2 million debenture. This debenture retirement is reported as "Provincial Grants - other" on the Consolidated Statement of Financial Activities and Fund Balance for the year ended August 31, 2005.

(c) On December 17, 2004 the Board issued a \$40 million debenture to fund an equivalent amount of major renovation projects. The debenture bears interest at 5.071% and has a 20-year amortization with semi-annual interest and principal payments of \$1.6 million. The annual debt service of \$3.2 million will be funded from the annual Facility Renewal Grant.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

5. NET LONG-TERM DEBT (continued)

- (d) City of Toronto Debentures maturing between December 1, 2005 and December 12, 2017, with interest rates ranging from 6.1% to 7.75%. Sinking fund assets in the amount of approximately \$111.1 million (2004 - \$95.6 million) have been set aside to retire the long-term City of Toronto debentures.
- (e) Principal payments relating to net long-term liabilities of \$106.5 million outstanding as at August 31, 2005 are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2005 - 2006	\$ 11,491	\$ 14,340	\$ 25,831
2006 - 2007	7,714	8,468	16,182
2007 - 2008	3,945	6,515	10,460
2008 - 2009	4,015	6,428	10,443
2009 - 2010	3,788	6,339	10,127
Thereafter	50,987	48,549	99,536
Net long-term debt	\$ 81,940	\$ 90,639	\$ 172,579

In addition, debenture interest on sinking fund contributions estimated to amount to approximately \$24.6 million will be earned during the remaining life of the City of Toronto debentures. This interest together with the sinking fund contributions will fund the total outstanding principal of \$106.5 million.

6. RESERVES AND RESERVE FUNDS

Internally restricted reserves and reserve funds set-aside for specific purposes by the Board of Trustees as at August 31, 2005 are comprised of:

	2005	2004
SAP (HR-Payroll System)	\$ 14,641	\$ -
Special Education	2,087	-
School Surplus	5,925	5,355
Site Funded Improvements	573	389
Capital	-	35,378
Working Fund	5,411	220
	\$ 28,637	\$ 41,342

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

7. AMOUNTS TO BE RECOVERED IN FUTURE YEARS

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

	<u>2005</u>	<u>2004</u>
Net long-term debt (Note 5(a))	\$ 106,512	\$ 140,346
Retirement and other employee future benefits liability (note 4b)	416,880	403,334
Accrued vacation pay	12,109	11,190
Interest accrual	4,010	3601
	<u>\$ 539,511</u>	<u>\$ 558,471</u>

8. EXPENDITURES BY OBJECT

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

	<u>2005</u>	<u>2004</u>
	<u>Actual</u>	<u>Actual</u>
Current expenditures		
Salary and wages	\$ 1,639,672	\$ 1,581,668
Employee benefits	241,546	233,135
Staff development	12,107	3,956
Supplies and services	180,292	161,354
Replacement, furniture and equipment	11,146	4,351
Interest	7,293	5,609
Rental expenditures	8,788	8,621
Fees and contract services	72,033	71,461
Other	33,792	33,281
Capital expenditures	140,765	71,355
School activities expenditures	37,705	-
	<u>\$ 2,385,139</u>	<u>\$ 2,174,791</u>

Interest expense is net of sinking fund interest earned of \$6.0 million (2004 - \$8.8 million).

9. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE (OSBIE)

The Board participates for its liability, property and automobile insurance in the Ontario School Boards' Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act, that is funded by the member boards across Ontario. Liability insurance is available to a maximum of \$20 million per occurrence.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

10. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Capital, facility renewals and renovations

The Board's approved capital and facility renewal program for new facilities, the upgrading of some existing facilities and certain program upgrades amounts to approximately \$127 million. Approximately \$46.2 million relating to these projects has been expended as at August 31, 2005. These approved programs include projects funded from a \$40 million debenture that was issued in December 2004. The balance of the projects were funded from the Board's Reserve Funds.

The Board is also implementing the Ministry of Education's initiative, announced in early 2005, for major renovations under the *Good Places to Learn Initiative* of which \$175 million has been allocated to the Board. The related projects will be undertaken over the next two years and will be fully funded from Ministry of Education grants. The Board has spent approximately \$23 million of the total amount allocated as at August 31, 2005.

Other significant obligations

The Board awarded a two-year extension for its contracts for student transportation, which expire August 31, 2007. The estimated annual commitment under these contracts is \$30 million.

The Board is committed to purchase natural gas through a supply contract expiring on October 31, 2007. The estimated annual cost of this is \$26.8 million which can fluctuate depending on the price of natural gas.

11. CONTINGENT LIABILITIES

The Board has been named as the defendant in certain legal actions, pay equity disputes and grievances in which damages have been sought. The outcome of these actions is not determinable as at August 31, 2005 and accordingly, no provision has been made in these financial statements for any liability that may result. Any losses arising from these actions will be recorded in the year that the related actions are settled.

12. REPAYMENT OF "55 SCHOOL BOARD TRUST" FUNDING

On June 1, 2003, the Board received \$275.1 million from the "55 School Board Trust" for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The "55 School Board Trust" was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the "55 School Board Trust" repaid the board's debt in consideration for the assignment by the board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

The flow-through of \$20.5 million (2004 - \$28.7 million) in grants in respect of the above agreement for the year ended August 31, 2005, is not recorded in these consolidated financial statements.

TORONTO DISTRICT SCHOOL BOARD

Notes to the Consolidated Financial Statements

August 31, 2005

(Tabular amounts in thousands of dollars)

13. FINANCIAL CONTRIBUTION AGREEMENTS

During 2001-2002, the Board established three joint trust accounts with the Toronto Catholic District School Board pertaining to Education Development Levy Agreements. These Agreements pertain to building developments that pre-date the passing of the Education Development Charges By-law of the Board under provisions of the Education Act. The total levy amount in these joint trust accounts as at August 31, 2005 is \$19.3 million (August 31, 2004 - \$10.5 million). The Board's financial interest in these joint trust accounts has not been reflected in the Consolidated Statement of Financial Position, as the amounts are determined jointly and will be apportioned at the time the funds are required for school construction.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to the presentation adopted for the year ended August 31, 2005.