

Consolidated financial statements of

Toronto District School Board

August 31, 2017

Toronto District School Board

August 31, 2017

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Management Report

Year ended August 31, 2017

Re: Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Toronto District School Board (the Board) are the responsibility of the Board management and have been prepared in accordance with the Financial Administration Act, supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act, as described in Note 1(a) to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, 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 consolidated financial statements. These systems are monitored and evaluated by management.

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

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

December 13, 2017



John Malloy
Director of Education



Carlene Jackson
Associate Director, Operations and Service Excellence

Independent Auditor's Report

To the Board of Trustees of
The Toronto District School Board

We have audited the accompanying consolidated financial statements of Toronto District School Board, which comprise the consolidated statement of financial position as at August 31, 2017, and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

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, annual surplus and cash flows from operating activities for the years ended August 31, 2017 and 2016, financial assets as at August 31, 2017 and 2016 and accumulated deficit as at September 1 and August 31 for both the 2017 and 2016 fiscal years. Our opinion on the consolidated financial statements for the year ended August 31, 2016 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Toronto District School Board for the year ended August 31, 2017 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) to the consolidated financial statements which describes the basis of accounting used in the preparation of these consolidated financial statements and the significant differences between such basis of accounting and Canadian public sector accounting standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
December 13, 2017

Toronto District School Board

Consolidated statement of financial position

as at August 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Financial assets		
Cash	74,009	43,625
Temporary investments	88,742	155,738
Due from City of Toronto	238,262	228,519
Accounts receivable (net of allowance of \$11,046 (2016 - \$9,632))	22,011	32,969
Accounts receivable - Province of Ontario (Note 2)	562,533	485,222
Funds on deposit (Note 3(f))	105,330	113,670
Properties held for sale (Note 4)	310	310
Restricted cash (Note 17)	16,273	-
	1,107,470	1,060,053
Liabilities		
Short-term borrowing (Note 5)	66,000	46,000
Accounts payable and accrued liabilities (Note 19)	270,803	242,001
Due to Province of Ontario	29,606	41,853
Accrued vacation pay	15,972	15,878
Deferred revenue (Note 6)	144,094	137,621
Deferred capital contributions (Note 7)	2,078,657	1,943,639
Retirement and other employee future benefits payable (Note 3)	362,419	369,585
Net long-term debt (Note 8)	420,950	444,506
	3,388,501	3,241,083
Net debt	(2,281,031)	(2,181,030)
Commitments and contingencies (Notes 11 and 12)		
Non-financial assets		
Tangible capital assets (Note 9)	2,174,210	2,040,453
Prepaid expenses and supplies	9,377	8,680
	2,183,587	2,049,133
Accumulated deficit (Note 10)	(97,444)	(131,897)

Approved by the Board



Director of Education and Secretary Treasurer



Chair of the Board

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Toronto District School Board

Consolidated statement of operations

year ended August 31, 2017

(In thousands of dollars)

	Budget	2017	2016
	\$	\$	\$
Revenue			
Provincial grants			
Grants for student needs (Note 14)	2,752,048	2,809,985	2,780,749
Other	41,417	60,819	60,281
Federal grants and fees	25,000	20,950	22,500
Other fees and revenues	83,164	109,799	102,960
School fundraising	40,000	43,447	40,905
Amortization of deferred capital contributions (Note 7)	129,043	128,369	116,974
	3,070,672	3,173,369	3,124,369
Expenses (Note 13)			
Instruction	2,391,266	2,460,777	2,417,906
Administration	81,558	76,258	90,045
Transportation	61,272	62,394	56,463
School operations and maintenance	319,607	311,166	310,880
Pupil accommodation	165,334	182,175	169,240
Other programs	4,134	4,067	3,752
School funded activities	40,000	42,079	41,857
	3,063,171	3,138,916	3,090,143
Annual surplus	7,501	34,453	34,226
Accumulated deficit, beginning of year	(161,214)	(131,897)	(166,123)
Accumulated deficit, end of year	(153,713)	(97,444)	(131,897)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Toronto District School Board

Consolidated statement of change in net debt

year ended August 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Annual surplus	34,453	34,226
Acquisition of tangible capital assets	(263,552)	(149,156)
Amortization of tangible capital assets	129,795	118,401
Loss from tangible capital assets disposal	-	1,632
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 4)	-	586
	(99,304)	5,689
Acquisition of inventories of supplies	(9,041)	(8,390)
Acquisition of prepaid expenses	(6,851)	(6,276)
Consumption of inventories of supplies	8,973	8,418
Use of prepaid expenses	6,222	6,149
Change in net debt	(100,001)	5,590
Net debt, beginning of year	(2,181,030)	(2,186,620)
Net debt, end of year	(2,281,031)	(2,181,030)

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Toronto District School Board

Consolidated statement of cash flows year ended August 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Operating activities		
Annual surplus	34,453	34,226
Items not involving cash		
Amortization	129,795	118,401
Net book value of tangible capital assets reclassified as properties held for sale during the year (Note 4)	-	586
Net transfer from deferred capital contributions to deferred revenue (Note 7)	-	(1,940)
Loss on disposal of tangible capital assets	-	1,632
Deferred capital contributions recognized (Note 7)	(128,369)	(116,974)
Changes in non-cash assets and liabilities		
Due from City of Toronto	(9,743)	(4,317)
Accounts receivable	10,958	(3,162)
Accounts receivable - Province of Ontario Operating	(1)	1,441
Prepaid expenses and supplies	(697)	(99)
Properties held for sale	-	(310)
Accounts payable and accrued liabilities and accrued vacation pay	28,896	23,946
Due to Province of Ontario	(12,247)	(1,611)
Deferred revenues - Operating	4,016	2,152
Retirement and other employee future benefits payable	(7,166)	(56,617)
	49,895	(2,646)
Capital activity		
Acquisition of tangible capital assets	(263,552)	(149,156)
Investing activities		
Repayment of mortgage receivable	-	2,450
Temporary investments	66,996	13,941
Funds on deposit	8,340	642
	75,336	17,033
Financing activities		
Capital grant contributions (Note 7)	263,387	148,766
Deferred revenue - Capital	2,457	(10,509)
Accounts receivable - Province of Ontario Capital	(77,310)	(34,258)
Short term borrowing - net	20,000	46,000
Long-term debt repayments	(23,556)	(22,573)
Increase in restricted cash (Note 17)	(16,273)	-
	168,705	127,426
Net increase (decrease) in cash	30,384	(7,343)
Cash, beginning of year	43,625	50,968
Cash, end of year	74,009	43,625

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

1. Significant accounting policies

The consolidated financial statements are the representations of management and are prepared in accordance with the basis of accounting as described in Note 1a) below.

Significant accounting policies adopted are as follows:

(a) *Basis of accounting*

The financial statements have been prepared in accordance with the Financial Administration Act supplemented by Ontario Ministry of Education memorandum 2004:B2 and Ontario Regulation 395/11 of the Financial Administration Act.

The Financial Administration Act requires that the financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

In 2011, the government passed Ontario Regulation 395/11 of the Financial Administration Act. The Regulation requires that contributions received or receivable for the acquisition or development of depreciable tangible capital assets and contributions of depreciable tangible capital assets for use in providing services, be recorded as deferred capital contributions and be recognized as revenue in the statement of operations over the periods during which the asset is used to provide service at the same rate that amortization is recognized in respect of the related asset. The regulation further requires that if the net book value of the depreciable tangible capital asset is reduced for any reason other than depreciation, a proportionate reduction of the deferred capital contribution along with a proportionate increase in the revenue be recognized. For Ontario school boards, these contributions include government transfers, externally restricted contributions and, historically, property tax revenue.

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of Canadian public sector accounting standards which require that:

- Government transfers, including amounts previously recognized as tax revenue, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with Canadian public sector accounting standard PS 3410; and
- Externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with Canadian public sector accounting standard PS 3100.

As a result, revenue recognized in the statement of operations and certain related deferred revenues and deferred capital contributions would be recorded differently under Canadian public sector accounting standards.

(b) *Reporting entity*

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity includes all organizations which are controlled by the Toronto District School Board (the Board).

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

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(b) Reporting entity (continued)

The Board established the Toronto Lands Corporation (TLC) in 2008, a wholly owned subsidiary. Its mandate is to manage designated real estate holdings of the Board to maximize rental income and dispose of surplus sites. This entity which is controlled by the Board is included in the consolidated financial statements.

The Board is a unit owner in Toronto Standard Condominium Corporation No. 2234, which was established for the management of common elements (consisting of the separation walls, sprinkler system, and fire alarm system) of the property located at 840 Coxwell and 555 Mortimer Avenues, which is jointly owned by the Board and Toronto East Health Network (formerly Toronto East General Hospital). The Board's share of activities relating to this entity is included in the consolidated financial statements.

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

(c) Trust funds

Trust funds and their related operations administered by the Board amounting to \$9.3 million (2016 - \$9.0 million) are not included in the consolidated financial statements.

(d) 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 qualifying expenditures are incurred or services are performed.

(e) Deferred capital contributions

Contributions received or receivable for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services, or any contributions in the form of depreciable tangible assets for use in providing services, is recognized as deferred capital contributions as defined in Ontario Regulation 395/11 of the Financial Administration Act. These amounts are recognized as revenue at the same rate as the related tangible capital asset is amortized. The following items fall under this category:

- Government transfers received or receivable for capital purposes;
- Other restricted contributions received or receivable for capital purposes; and
- Amounts previously recognized as property taxation revenues which were historically used to fund capital assets.

(f) Retirement and other employee future benefits

Employee life and health trusts

As part of ratified labour collective agreements for unionized employees that bargain centrally and ratified central discussions with the principals and vice-principals associations, the following Employee Life and Health Trusts (ELHTs) were established in 2016-17: ETFO, OSSTF, and OSSTF EW. The ELHTs provide health, life and dental benefits to teachers (excluding daily occasional teachers), education workers (excluding casual and temporary staff), and other school board staff starting with a school board's participation date into the ELHT. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario. Starting April 1st 2017, the Board is no longer responsible to provide certain benefits to ETFO, OSSTF and OSSTF EW.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(f) Retirement and other employee future benefits (continued)

Employee life and health trusts (continued)

Beginning in the 2016-17 school year, school boards whose employee groups transitioned their health, dental and life benefits to the ELHT are required to remit a negotiated amount per full-time equivalency (FTE) on a monthly basis. Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN) and additional ministry funding in the form of a Crown contribution and Stabilization Adjustment.

The Board continues to provide health, dental and life insurance benefits for retired individuals and the following employee groups: CUPE, OCEW (which include MCSTC), and non-union staff including principal and vice principals that have not yet transferred into an ELHT and continues to have a liability for payment of benefits for those who are on long-term disability and for some who are retired under these plans. The remaining employee groups are expected to transition to ELHTs by April 1, 2018.

Defined retirement and other future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, health, sick leave credit gratuity, 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. The cost of retirement gratuities are actuarially determined using the employee's salary, banked sick days and years of service as at August 31, 2012 and management's best estimate of discount rates. Any actuarial gains and losses arising from changes to the discount rate are amortized over the expected average remaining service life of the employee group.

For self-insured retirement and other employee future benefits that vest and accumulate over the periods of service provided by employees, such as 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.

- (ii) For self-insured workers' compensation benefit obligations that arise from specific events that occur from time to time, the cost is recognized immediately in the period the events occur. Actuarial gains and losses that are related to obligations for workers' compensation are recognized immediately in the period they arise. For long-term disability, life insurance and health care benefits for those on disability leave, actuarial gains and losses are amortized over the expected average service life of the employee group.
- (iii) The Board's contributions to multi-employer defined benefit pension plans, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are recorded in the period in which they become payable.
- (iv) 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, 2017

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(g) Tangible capital assets

Tangible capital assets are recorded at cost which 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.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Tangible capital assets, except land, are amortized on a straight-line basis over the estimated useful life of the assets. Amortization rates are as follows:

Asset class	Estimated useful life
Buildings	40 years
Other buildings	20 years
Portable structures	20 years
Land improvements with finite lives	15 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
Leasehold improvement	Over the lease term

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

Land permanently removed from service (PRFS) is recorded at the lower of cost and net realizable value. Cost includes amounts to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and are recorded at the lower of carrying value and net realizable value. Land and building permanently removed from service that meet the criteria for inventory held for resale are recorded as "properties held for sale" on the consolidated statement of financial position. Those that do not meet these criteria continue to be recorded as part of "tangible capital assets" on the consolidated statement of financial position.

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

(h) 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. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

Government transfers for capital are deferred as required by Regulation 395/11, recorded as deferred capital contributions and recognized as revenue in the consolidated statement of operations at the same rate and over the same periods as the asset is amortized.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

1. Significant accounting policies (continued)

(i) Investment income

Investment income is 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.

(j) Long term debt

Long term debt includes debentures and Ontario Financing Authority (OFA) loans which were arranged for financing the Board's capital projects or high priority renewal projects. Long term debt is recorded net of related sinking fund balances.

(k) Property tax revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the financial statements, which in the case of the Board, is the Province of Ontario. As a result, property tax revenue received from the City of Toronto is recorded as part of Provincial Legislative Grants.

(l) Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees on May 25, 2016. 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.

(m) Use of estimates

The preparation of financial statements in conformity with the basis of accounting described in Note 1a) 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 expenses during the year. Estimates are reviewed periodically by management and, as adjustments become necessary, they are reported in the period in which they became known. Accounts subject to estimates include allowance for doubtful accounts receivable, certain accrued liabilities including legal claims and pay equity accruals, liability for contaminated sites, employee future benefits, useful lives of tangible capital assets and the recognition of deferred amounts related to capital contributions. Actual results could differ from these estimates.

2. Accounts receivable - Province of Ontario

The account receivable from the Province of Ontario is comprised mainly of amounts related to capital grants in the amount of \$562.5 million (2016 - \$485.2 million).

The Province of Ontario replaced variable capital funding with a one-time debt support grant in 2009-2010. The Board recorded a one-time grant that recognizes capital debt as of August 31, 2010 that is supported by the existing capital programs. The Board will receive this grant in cash over the remaining term of the existing capital debt instruments. The Board may also be entitled to yearly capital grants to support capital programs which would be reflected in this account.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

3. Retirement and other employee future benefits

(a) A brief overview of the Board's 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. The benefit costs and liability related to this plan are recorded in the Board's consolidated financial statements.

Retirement benefits

(i) Sick leave credit gratuities

The Board provides retirement gratuities to certain groups of employees hired prior to specified dates. 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. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

(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. These future benefits are unfunded. All retirees on or after September 1, 2004 are not subsidized by the Board.

(iii) 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. Plan changes made in 2012 require school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

(iv) 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 consolidated financial statements. The Board has an internally restricted reserve to fund these liabilities.

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, 2017

(Tabular amounts in thousands of dollars)

3. Retirement and other employee future benefits (continued)

(a) A brief overview of the Board's benefit plans is set out below (continued)

Retirement benefits (continued)

(iv) Long-term disability benefits (continued)

For employees who are not yet members of an ELHT and who are on long-term disability leave, the Board provides life insurance, dental and health care benefits from the date of disability. Under this benefit coverage for this employee group, the insurance carriers waive the life insurance premiums; however, the Board and employee are responsible for the payment of the costs of health care benefits 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.

(v) Sick leave top up benefits

A maximum of 11 unused sick leave days from the current year may be carried forward into the following year only, to be used to top-up salary for illnesses paid through the short term leave and disability plan in that year.

(b) *Retirement and other employee future benefits liabilities*

	2017			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Unfunded accrued benefit obligation	3,149	238,767	160,304	402,220
Unamortized net actuarial losses	-	(28,973)	(10,828)	(39,801)
Accrued benefit liability	3,149	209,794	149,476	362,419

	2016			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Unfunded accrued benefit obligation	3,581	264,878	158,698	427,157
Unamortized net actuarial losses	-	(41,929)	(15,643)	(57,572)
Accrued benefit liability	3,581	222,949	143,055	369,585

(c) *Retirement and other employee future benefits expenses*

	2017			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Current year benefit costs	-	-	27,732	27,732
Interest on accrued benefit obligation	69	5,205	3,238	8,512
Recognition of actuarial (gains) losses	(45)	3,564	2,161	5,680
Employee future benefits expenses	24	8,769	33,131	41,924

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

3. Retirement and other employee future benefits (continued)

(c) Retirement and other employee future benefits expenses (continued)

	2016			
	Pension benefits	Retirement benefits	Other benefits	Total
	\$	\$	\$	\$
Current year benefit costs	-	-	22,331	22,331
Interest on accrued benefit obligation	91	6,442	3,504	10,037
Recognition of actuarial losses (gains)	35	(209)	136	(38)
Change in Voluntary Early Payout	-	(5,734)	-	(5,734)
Employee future benefits expenses	126	499	25,971	26,596

These amounts are included in the respective expense categories on the consolidated statement of operations.

The amount of benefits paid during the year were \$456 (2016 - \$520) for pension benefits, \$21,923 (2016 - \$54,439) for retirement benefits, and \$26,710 (2016 - \$24,093) for other employee future benefits.

(d) Actuarial assumptions

The accrued benefit obligations for employee future benefit plans as at August 31, 2017 are based on the following:

- A full valuation for accounting purposes completed as at August 31, 2017 for sick leave carry-over, long-term disability and WSIB related benefits
- An actuarial extrapolation as at August 31, 2017 for (i) frozen retirement gratuity benefits (last full valuation as at August 31, 2016); (ii) war veterans allowance benefits (last full valuation as at August 31, 2015), and (iii) subsidized retirement life insurance and health care benefits (last full valuation as at August 31, 2015)

These valuations take into account any plan changes and the economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2017	2016
	%	%
Estimated inflation		
Health	7.75	8.00
Dental	3.75	4.00
War veterans	1.50	1.50
WSIB	2.00	2.00
LTDI	0.50	0.50
Wages and salary calculation	2.00	2.00
Discount on accrued benefit obligations		
Sick leave credit gratuity	2.55	2.05
Life, health and dental	2.55	2.05
War veterans	2.55	2.05
WSIB	2.55	2.05
LTDI	2.55	2.05
Sick leave accumulation	N/A	N/A

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

3. Retirement and other employee future benefits (continued)

(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.

(ii) Ontario Municipal Employees Retirement System

Non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System, 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's contributions equal the employees' contributions to the Plan. During the year ended August 31, 2017, the Board contributed \$51.2 million (2016 - \$51.0 million) to the plan. As this is a multi-employer pension plan, these contributions are the Board's pension benefit expenses and are included in the respective expense categories on the consolidated statement of operations. No pension liability for this type of plan is included in the Board's consolidated statement of financial position.

(f) *Funds held on deposit for employee benefit plans are represented by the following*

(i) Health and dental funds on deposit

The Board has funds held on deposit with Sunlife and Manulife to fund current liabilities for the health and dental plans of the Board in the amount of \$11.3 million (2016 - \$22.6 million). These funds primarily cover estimated current period claims yet to be submitted by employees.

(ii) Group Life Funds on deposit

The Board has funds held on deposit with Great West Life to fund current liabilities for the group life insurance plans of the Board in the amount of \$11.5 million (2016 - \$10.5 million).

(iii) Long term disability funds on deposit

The Board has funds held on deposit with Sunlife and CIBC to fund the long term disability plan of the Board in the amount of \$82.5 million (2016 - \$80.5 million). These funds primarily cover the actuarially determined liabilities of the Plan and cover reduced Board premiums otherwise required by the Plan.

4. Properties held for sale

As of August 31, 2017, \$0.3 million (2016 - \$0.3 million) related to buildings and \$Nil (2016 - \$Nil) related to land were recorded as properties held for sale. The net book value of properties reclassified to properties held for sale during the year was \$Nil (2016 - \$0.6 million). Net proceeds of \$Nil (2016 - \$11.6 million) were received on the sale of these properties, which had a carrying value of \$Nil (2016 - \$0.3 million), resulting in a gain on sale of \$Nil (2016 - \$11.3 million). The proceeds from the sale of properties held for sale have been used to fund in-year capital projects, as well as \$1.27 million (2016 - \$1.7 million) recognized as revenue mainly to fund sale costs, with an amount remaining in deferred revenue of \$69.2 million (2016 - \$79.3 million), in accordance with Ontario Regulation 193/10.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

5. Short-term borrowing

	2017	2016
	\$	\$
92 day Bankers Acceptances bearing interest at 1.85% (2016 - 1.63%) maturing on October 4, 2017 (2016 - October 4, 2016)	66,000	46,000

The Board has a \$150 million credit facility with a Canadian chartered bank for operating and capital improvement purposes. The amount outstanding as at August 31, 2017 was \$66.0 million (2016 - \$46.0 million). In addition, the Board has outstanding letters of credit in the amount of \$2.5 million as at August 31, 2017.

The Board has passed a resolution to increase the credit line to \$250 million and this has been arranged with their banking service provider.

The Ministry funds the interest cost incurred on the short term financing. Further, the Ministry will periodically arrange for the permanent financing, under a long term financing arrangement (see also Note 8 (d), (e), (f), (g), (h), (i), (j), (k) and (l)).

6. Deferred revenue

The continuity of deferred revenue including those set aside for specific purposes by legislation, regulation or agreement as at August 31, 2017 is as follows:

	Balance, August 31, 2016	Externally restricted revenue and investment income	Revenue recognized in the period	Transfer to/(from) deferred capital contributions	Balance, August 31, 2017
	\$	\$	\$	\$	\$
Special Education	-	346,422	346,038	-	384
Other Ministry of Education grants	83	25,022	24,477	-	628
Other Provincial grants	2,369	36,649	36,342	-	2,676
Tuition fees	22,861	29,641	26,077	-	26,425
Other (operation)	6,932	38,421	39,205	-	6,148
Minor tangible capital assets	-	69,484	64,817	4,667	-
School renewal	17,479	48,274	31,555	17,825	16,373
OFA loan interest funding	-	24,284	24,284	-	-
Temporary accommodation	31	1,794	-	1,825	-
Retrofitting school space for child care	5,876	-	-	3,172	2,704
Renewable energy	204	-	-	7	197
Ministry of Health - Pool grants	31	-	-	-	31
Proceeds of disposition	79,330	-	1,271	8,815	69,244
Proceeds of disposition - PHFS	310	-	-	-	310
Developer contributions (Note 17)	-	17,974	-	876	17,098
Other	2,115	5,121	7	5,353	1,876
	137,621	643,086	594,073	42,540	144,094

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

7. Deferred capital contributions

Deferred capital contributions include grants and contributions received that are used for the acquisition of tangible capital assets in accordance with Regulation 395/11 that have been spent by year end. The contributions are amortized into revenue at the rate used to amortize the related asset over its useful life.

	2017	2016
	\$	\$
Balance, beginning of year	1,943,639	1,913,787
Additions to deferred capital contributions	263,387	148,766
Revenue recognized in the period	(128,369)	(116,974)
Transfers to deferred revenue relating to disposals and properties held for sale	-	(1,940)
Balance, end of year	2,078,657	1,943,639

Additions to deferred capital contributions includes net proceeds from disposition of properties held for sale in the amount of \$Nil (2016 - \$11.6 million).

8. Net long-term debt

(a) Net long-term debt reported in the consolidated statement of financial position is comprised of the following:

		Interest rate	Maturity date	2017	2016
		%		\$	\$
Critical renewal debenture	Note 8(b)	5.07	December 17, 2024	19,796	21,917
Sinking Fund (City of Toronto)	Note 8(c)	6.10	December 12, 2017	75,846	75,846
Less: sinking fund assets	Note 8(c)	-	-	(73,457)	(67,032)
Ontario Financing Authority	Note 8(d)	4.56	November 15, 2031	76,484	80,138
Ontario Financing Authority	Note 8(e)	4.90	March 3, 2033	78,957	82,205
Ontario Financing Authority	Note 8(f)	5.06	March 13, 2034	70,484	73,090
Ontario Financing Authority	Note 8(g)	5.23	April 13, 2035	44,878	46,362
Ontario Financing Authority	Note 8(h)	4.83	March 11, 2036	41,311	42,634
Ontario Financing Authority	Note 8(i)	3.59	March 9, 2037	20,937	21,654
Ontario Financing Authority	Note 8(j)	3.66	June 25, 2038	34,275	35,336
Ontario Financing Authority	Note 8(k)	4.00	March 11, 2039	17,249	17,737
Ontario Financing Authority	Note 8(l)	2.99	March 9, 2040	14,190	14,619
Balance as at August 31				420,950	444,506

(b) 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 is funded from the annual Facility Renewal Grant.

(c) City of Toronto Debenture in the amount of \$75.8 million maturing December 12, 2017, with an interest rate of 6.1%. Sinking fund assets in the amount of approximately \$73.5 million (2016 - \$67.0 million) have been set aside to retire the long-term City of Toronto debenture. The market value of sinking fund assets as at August 31, 2017 was \$79.3 million (2016 - \$75.1 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

8. Net long-term debt (continued)

- (d) On November 15, 2006, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$107.7 million of the GPL program. The loan is repayable by semi-annual installments of principal and interest of \$3.6 million based on a 25 year amortization schedule and bears interest of 4.56%. The annual principal and interest costs are funded by the Ministry of Education.
- (e) On March 3, 2008, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$103.2 million (GPL of \$93.9 million and PCS of \$9.3 million). The loan is repayable by semi-annual installments of principal and interest of \$3.6 million based on a 25 year amortization schedule and bears interest of 4.90%. The annual principal and interest costs are funded by the Ministry of Education.
- (f) On March 13, 2009, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$88.1 million (GPL of \$81.1 million and PCS of \$7.0 million). The loan is repayable by semi-annual installments of principal and interest of \$3.1 million based on a 25 year amortization schedule and bears interest of 5.06%. The annual principal and interest costs are funded by the Ministry of Education.
- (g) On April 14, 2010, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$53.8 million (GPL of \$51.7 million and PCS of \$2.1 million). The loan is repayable by semi-annual installments of principal and interest of \$1.9 million based on a 25 year amortization schedule and bears interest of 5.23%. The annual principal and interest costs are funded by the Ministry of Education.
- (h) On March 11, 2011, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$48.4 million (GPL of \$33.9 million and PCS of \$14.5 million). The loan is repayable by semi-annual installments of principal and interest of \$1.7 million based on a 25 year amortization schedule and bears interest of 4.83%. The annual principal and interest costs are funded by the Ministry of Education.
- (i) On March 9, 2012, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$24.3 million (GPL of \$23.9 million and PCS of \$0.4 million). The loan is repayable by semi-annual installments of principal and interest of \$0.7 million based on a 25 year amortization schedule and bears interest of 3.59%. The annual principal and interest costs are funded by the Ministry of Education.
- (j) On June 26, 2013, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$37.8 million (GPL of \$21.2 million and Capital Enveloping (ARC) of \$16.6 million). The loan is repayable by semi-annual installments of principal and interest of \$1.2 million based on a 25 year amortization schedule and bears interest of 3.66%. The annual principal and interest costs are funded by the Ministry of Education.
- (k) On March 12, 2014, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$18.7 million (Prohibit to Repair of \$14.1 million and Capital Priority Program of \$4.6 million). The loan is repayable by semi-annual installments of principal and interest of \$0.6 million based on a 25 year amortization schedule and bears interest of 4.003%. The annual principal and interest costs are funded by the Ministry of Education.
- (l) On March 11, 2015, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$15.0 million (Primary Class Size of \$3.6 million and Capital Priority Program of \$11.4 million). The loan is repayable by semi-annual installments of principal and interest of \$0.4 million based on a 25 year amortization schedule and bears interest of 2.993%. The annual principal and interest costs are funded by the Ministry of Education.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

8. Net long-term debt (continued)

- (m) Principal and sinking fund payments relating to net long-term liabilities of \$420.9 million (2016 - \$440.3 million) outstanding as at August 31, 2017 are due as follows:

	Principal and sinking fund contributions	Interest	Total
	\$	\$	\$
2018	20,239	21,495	41,734
2019	18,797	18,329	37,126
2020	19,691	17,436	37,127
2021	20,627	16,500	37,127
2022	21,609	15,518	37,127
Thereafter	319,891	101,390	421,281
	<u>420,854</u>	<u>190,668</u>	<u>611,522</u>

In addition, debenture interest on sinking fund contributions estimated to amount to approximately \$0.1 million is expected to be earned during the remaining life of the City of Toronto debenture. This interest together with the sinking fund contributions will fund the total outstanding City of Toronto debenture principal of \$75.8 million (2016 - \$75.8 million).

- (n) Interest on long-term debt amounted to \$23.0 million (2016 - \$24.8 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

9. Tangible capital assets

(a) Opening and closing balances with activities for the year ended August 31, 2017

	Gross book value					Accumulated amortization					Net book value	
	Balance at September 1, 2016	Additions	Transfers between Asset Class	Disposal	Balance at August 31, 2017	Balance at September 1, 2016	Amortization	Transfers between Asset Class	Disposals, write-offs	Balance at August 31, 2017	Balance at August 31, 2017	Balance at August 31, 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land	75,407	165	-	-	75,572	-	-	-	-	-	75,572	75,407
Land improvements	98,615	34,684	(84)	-	133,215	38,327	10,560	(17)	-	48,870	84,345	60,288
Buildings (40 years)	3,166,888	192,458	(10,841)	-	3,348,505	1,323,620	108,792	(6,235)	-	1,426,177	1,922,328	1,843,268
Buildings (20 years)	22	-	-	-	22	3	1	-	-	4	18	19
Portable structures	34,202	2,043	-	-	36,245	10,604	1,775	-	-	12,379	23,866	23,598
Construction in Progress (CIP)	6,099	27,817	125	-	34,041	-	-	-	-	-	34,041	6,099
Pre-acquisition building	125	-	(125)	-	-	-	-	-	-	-	-	125
Equipment (5 years)	478	90	-	(412)	156	399	61	-	(412)	48	108	79
Equipment (10 years)	3,373	537	-	(325)	3,585	1,702	347	-	(326)	1,723	1,862	1,671
Equipment (15 years)	3,345	776	-	-	4,121	2,312	161	-	-	2,473	1,648	1,033
First time equipping (10 years)	7,743	131	-	(20)	7,854	3,179	778	-	(19)	3,938	3,916	4,564
Furniture (10 years)	1,076	56	-	(80)	1,052	639	108	-	(80)	667	385	437
Computer hardware	28,614	3,604	-	(4,826)	27,392	11,257	5,625	-	(4,826)	12,056	15,336	17,357
Computer software	2,122	274	-	(160)	2,236	934	425	-	(160)	1,199	1,037	1,188
Vehicles (< 10,000 pounds)	2,107	123	-	-	2,230	1,750	156	-	-	1,906	324	357
Vehicles (> 10,000 pounds)	5,907	313	-	-	6,220	4,245	223	-	-	4,468	1,752	1,662
Leasehold improvement - building	6,116	355	-	-	6,471	3,145	728	-	-	3,873	2,598	2,971
Leasehold improvement - land	483	126	-	-	609	153	55	-	-	208	401	330
Building (PRFS)	-	-	10,925	-	10,925	-	-	6,252	-	6,252	4,673	-
	3,442,722	263,552	-	(5,823)	3,700,451	1,402,269	129,795	-	(5,823)	1,526,241	2,174,210	2,040,453

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

9. Tangible capital assets (continued)

(b) Assets permanently removed from service

Included in the tangible capital assets balance are two buildings which have been permanently removed from service as of August 31, 2017 with net book value of \$4.63 million (2016 - \$Nil). Amortization of these buildings ceased upon their permanent removal from service.

(c) Works of art and historic artifacts

TDSB has an art collection in its possession with an insured value of \$7.4 million (2016 - \$7.4 million). In addition, TDSB also has a number of historic artifacts. In accordance with public sector accounting standards, these works of art and historic artifacts are not recorded as an asset in these consolidated financial statements.

10. Accumulated deficit

Accumulated deficit consists of the following:

	2017	2016
	\$	\$
Accumulated deficit		
Working Funds	26,398	18,750
Reserves and reserve funds	141,504	139,911
Employee future benefits	(350,943)	(374,419)
Interest accrual	(6,615)	(6,818)
School generated funds	17,665	16,297
Capital grants used on land purchases	75,572	75,407
Liability for contaminated sites	(1,025)	(1,025)
	(97,444)	(131,897)

Internal reserves and reserve funds set aside for specific purposes by the Board of Trustees consist of the following:

	2017	2016
	\$	\$
Special education	101	166
Employee benefit plans	96,450	99,277
School support	21,318	19,229
Sinking fund interest	19,884	17,181
Sinking fund asset provision	-	595
Other	3,751	3,463
	141,504	139,911

11. Contractual obligations and commitments

(a) Capital, facility renewals and renovations

The Board's commitments for approved capital and facility renewal programs as of August 31, 2017 amounted to \$146.9 million (2016 - \$45.0 million).

(b) Other significant obligations

(i) The Board awarded contracts for student transportation ending August 31, 2022 with two one-year extensions. The estimated annual commitment under these contracts is \$56.8 million (2016 - \$56.8 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

11. Contractual obligations and commitments (continued)

(b) Other significant obligations (continued)

- (ii) The Board is committed to purchase natural gas including transportation through supply contracts with various expiry dates; the latest contract expires on October 31, 2018. The estimated outstanding costs of these contracts are \$21.76 million (2016 - \$10.2 million).
- (iii) The Board is committed to a Wide Area Network contract which expires August 2022. The estimated annual commitment under this contract for 2017-18 year is \$7.2 million and it is estimated to be \$4.7 million annually thereafter (2016 - \$6.0 million).
- (iv) The Board is committed to a Multi-Functional Devices contract which expires October 2019. The estimated annual commitment under the contract is \$2.9 million (2016 - \$2.9 million).
- (v) TDSB and School Solar Limited Partnership (SSLP) entered into a Project Agreement ("Agreement") on May 18, 2011 and amended on February 3, 2014. The Agreement involves SSLP providing roof replacements to approximately 4 million square feet of roofs, in return for the right to install solar panels on school roofs and benefit from the associated Feed-in Tariff ("FIT") contracts over a 20-year period. Roof betterment projects will be capitalized at cost as completed, with a corresponding increase in deferred capital contributions in accordance with Ontario Regulation 395/11. During fiscal 2017, approximately 0.04 million square feet (2016 - 1.5 million square feet) of roof betterments were completed and capitalized at a cost of \$0.7 million (2016 - \$16.5 million). As at August 31, 2017, all roof betterments associated with the Agreement have been completed.

12. Contingent liabilities

Legal claims

The Board has been named as the defendant in certain legal actions, in which damages have been sought. Any losses arising from these actions are recorded in the year that the related litigation is settled or when any likely amounts are measurable. Where the outcomes of actions are not determinable as at August 31, 2017, no provision is made in the consolidated financial statements.

Pay equity

The Board is continuing to negotiate several pay equity claims with employee groups. Management records any future pay equity settlements in the year in which the claim is settled, or earlier, if the amount is determined to be likely and the liability is measurable.

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

13. Expenses by object

The following is a summary of the expenses reported on the consolidated statement of operations by object:

	2017	2016
	\$	\$
Expenses		
Salary and wages	2,267,020	2,261,481
Employee benefits	363,300	332,558
Staff development	2,497	1,944
Supplies and services	189,743	187,388
Interest	25,167	25,026
Rental expenses	11,826	11,845
Fees and contract services	109,783	104,425
Other	(2,294)	3,586
Amortization and loss on disposal of tangible capital assets	129,795	120,033
School activities expenditures	42,079	41,857
	3,138,916	3,090,143

14. Grants for student needs

Included in grants for student needs is an amount of \$1.580 billion (2016 - \$1.533 billion) raised through local property taxation by the Province and transferred to the Board.

15. Insurance

Effective January 1, 2017, the Board is no longer insured through 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. The Board has purchased insurance coverage in the marketplace through a global insurance brokerage.

16. 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 (2016 - \$20.5 million) in grants in respect of the above agreement for the year ended August 31, 2017, is not recorded in these consolidated financial statements.

17. 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 provisions of the Education Act. As at August 31, 2017, the total levy amount in these joint trust accounts is \$64.6 million (2016 - \$65.1 million).

Toronto District School Board

Notes to the consolidated financial statements

August 31, 2017

(Tabular amounts in thousands of dollars)

17. Financial contribution agreements (continued)

The funds in the joint trust accounts must be used for construction of school facilities in specific designated areas of the City of Toronto. Prior to fiscal 2017, the Board did not reflect their financial interest in these accounts in the consolidated statement of financial position, as the amounts were to be determined jointly and apportioned at the time the funds were required for school construction. During fiscal 2017, construction of specific school facilities commenced with an approved total cost for both school boards of \$36.2 million, to be allotted from the trust levy accounts. Of this, \$18.65 million represents the Board's share of project costs and has been reflected in the Board's consolidated statement of financial position as follows: \$1.56 million has been capitalized in construction-in-progress, \$0.82 million recorded as prepaid expenses, and the remaining \$16.27 million recorded as restricted cash representing funds in the trust accounts already apportioned to the Board for this project.

The Board's financial interest in the remaining unapportioned balance in the joint trust accounts has not been reflected in these accounts in the consolidated statement of financial position.

18. Transportation agreement

In 2011, the Board entered into an agreement with the Toronto Catholic District School Board in order to provide common administration of student transportation in the City. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the Boards. Under the agreement, decisions related to the financial and operating activities of Toronto Transportation group are shared. No partner is in a position to exercise unilateral control.

The Board's portion of transportation expenses has been included in the consolidated statement of operations.

19. Liability for contaminated sites

As at August 31, 2017, the Board has a liability for contaminated sites of \$1.0 million (2016 - \$1.0 million). The liability relates to contamination at two Board properties that are no longer in productive use, and was estimated based on a baseline phase II environmental site assessment performed by an environmental consulting firm. No recoveries are expected.

20. Sale of Bloor and Dufferin property

On December 7, 2016, the Board entered into a Purchase and Sale Agreement with a developer to sell 7.3 acres of land for a multi-use development at the corner of Bloor and Dufferin. The gross sale proceeds of the land is \$121.5 million.

Further, a Memorandum of Understanding was signed on December 15, 2016, committing the developer to build a 30,000 square feet childcare/community centre conditional on cost recoverable funding from the Province and City. The Provincial contribution of \$7 million was previously announced and will be flowed from the Ministry of Education to the Board, and in turn to the developer upon construction.

As of August 31, 2017, the sale continues to be subject to severance and the appropriate planning and zoning approvals from the City of Toronto. The developer has initiated the first steps of the site plan process.