

***DRAFT #8***  
*November 9, 2015*

Consolidated Financial Statements of

**TORONTO CATHOLIC  
DISTRICT SCHOOL BOARD**

Year ended August 31, 2015

## **MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying consolidated financial statements of the Toronto Catholic District School Board ("Board") are the responsibility of the Board's 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.

The Board's 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 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 their approval of the consolidated financial statements.

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

***DRAFT***

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the  
Toronto Catholic District School Board

We have audited the accompanying consolidated financial statements of the Toronto Catholic District School Board, which comprise the consolidated statement of financial position as at August 31, 2015, the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider 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 audit opinion.

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Opinion

In our opinion, the consolidated financial statements of the Toronto Catholic District School Board as at and for the year ended August 31, 2015 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.

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Chartered Professional Accountants, Licensed Public Accountants

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Toronto, Canada

**TORONTO CATHOLIC DISTRICT SCHOOL BOARD*****DRAFT*** Consolidated Statement of Financial Position

(In thousands of dollars)

August 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial Assets</b>		
Cash and cash equivalents	\$ 95,362	\$ 73,915
Accounts receivable	84,892	85,231
Account receivable - Government of Ontario - approved capital (note 3)	363,384	373,378
Investments	300	252
Restricted cash	10,564	10,564
	<u>554,502</u>	<u>543,340</u>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities (note 12(b))	77,628	83,722
Net long-term debt (note 7)	352,001	342,214
Deferred revenue (note 4)	140,732	128,362
Employee future benefits payable (note 10)	97,460	111,000
Deferred capital contributions (note 5)	818,701	804,551
	<u>1,486,522</u>	<u>1,469,849</u>
Net debt	(932,020)	(926,509)
Non-financial assets:		
Prepaid expenses	2,540	2,189
Tangible capital assets (note 9)	1,074,789	1,047,005
	<u>1,077,329</u>	<u>1,049,194</u>
Commitments and contingencies (note 12)		
Accumulated surplus	\$ 145,309	\$ 122,685

See accompanying notes to consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Consolidated Statement of Operations and Accumulated Surplus  
(In thousands of dollars)

Year ended August 31, 2015, with comparative information for 2014

	Budget 2015	Actual 2015	Actual 2014
Revenue:			
Provincial grants:			
Student needs	\$ 1,040,870	\$ 1,038,070	\$ 982,016
Other	16,633	14,921	56,241
School-generated funds	27,609	29,472	27,355
Investment	1,167	549	786
Other fees and revenue	71,835	49,542	49,544
	1,158,114	1,132,554	1,115,942
Expenses (note 11):			
Instruction	853,562	859,273	807,952
Administration	23,906	23,090	22,387
Transportation	29,026	28,244	26,501
Pupil accommodation	150,273	148,427	145,022
School-generated funds	27,609	28,926	26,807
Other	19,585	21,970	61,302
	1,103,961	1,109,930	1,089,971
Surplus	54,153	22,624	25,971
Accumulated surplus, beginning of year	122,685	122,685	96,714
Accumulated surplus, end of year	\$ 176,838	\$ 145,309	\$ 122,685

See accompanying notes to consolidated financial statements.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

## **DRAFT** Consolidated Statement of Changes in Net Debt

(In thousands of dollars)

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Operating activities:		
Surplus	\$ 22,624	\$ 25,971
Tangible capital asset activities:		
Purchase of tangible capital assets	(76,483)	(86,763)
Amortization of tangible capital assets	46,225	43,113
Proceeds on sale of tangible capital assets	10,596	8,923
Gain on sale of tangible capital assets	(8,122)	(988)
	(27,784)	(35,715)
	(5,160)	(9,744)
Other non-financial asset activities:		
Change in prepaid expenses	(351)	155
Increase in net debt	(5,511)	(9,589)
Net debt, beginning of year	(926,509)	(916,920)
Net debt, end of year	\$ (932,020)	\$ (926,509)

See accompanying notes to consolidated financial statements.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

## **DRAFT** Consolidated Statement of Cash Flows

(In thousands of dollars)

Year ended August 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Surplus	\$ 22,624	\$ 25,971
Non-cash items:		
Amortization of tangible capital assets	46,225	43,113
Amortization of deferred capital contributions	(44,363)	(42,539)
Gain on sale of tangible capital assets	(8,122)	(988)
Change in non-cash assets and liabilities:		
Accounts receivable	339	(2,902)
Prepaid expenses	(351)	155
Accounts payable and accrued liabilities	(6,094)	(8,876)
Deferred revenue operating	1,665	336
Employee future benefits payable	(13,540)	(7,491)
	(1,617)	6,779
Capital activities:		
Purchase of tangible capital assets	(76,483)	(86,763)
Proceeds on sale of tangible capital assets	10,596	8,923
	(65,887)	(77,840)
Financing activities:		
Decrease (increase) in account receivable -		
Government of Ontario approved capital, net	9,994	(5,510)
Debenture debt issued	24,440	66,308
Debt repayment and sinking fund		
contributions	(13,604)	(42,455)
Repayment of obligations under capital lease	(1,523)	(1,288)
Additions to obligations under capital lease	474	2,782
Additions to deferred capital contributions	58,513	57,124
Increase (decrease) in deferred revenue capital, net	10,705	(1,519)
	88,999	175,442
Investing activities:		
Decrease (increase) in long-term investments	(48)	150
Increase in cash and cash equivalents	21,447	4,531
Cash and cash equivalents, beginning of year	73,915	69,384
Cash and cash equivalents, end of year	\$ 95,362	\$ 73,915

See accompanying notes to consolidated financial statements.



# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements

(In thousands of dollars)

Year ended August 31, 2015

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### 1. Significant accounting policies:

The consolidated financial statements are prepared by management in accordance with the basis of accounting described below:

#### (a) Basis of accounting:

The consolidated 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, Accounting Policies and Practices Public Entities ("Regulation 395/11"), of the Financial Administration Act.

The Financial Administration Act requires that the consolidated financial statements be prepared in accordance with the accounting principles determined by the relevant Ministry of the Province of Ontario ("Province"). A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian Public Sector Accounting Standards ("PSAB") 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 Regulation 395/11 of the Financial Administration Act. Regulation 395/11 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 consolidated statement of operations and accumulated surplus 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. Regulation 395/11 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.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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## 1. Significant accounting policies (continued):

The accounting policy requirements under Regulation 395/11 are significantly different from the requirements of PSAB, which requires that:

- (i) government transfers, 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 PSAB PS3410;
- (ii) 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 PSAB PS3100; and
- (iii) property taxation revenue be reported as revenue when received or receivable in accordance with PSAB PS3510.

As a result, revenue recognized in the consolidated statement of operations and accumulated surplus and certain related deferred revenue and deferred capital contributions would be recorded differently under PSAB.

### (b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenue and expenses of the reporting entity. The reporting entity comprises all organizations accountable for the administration of their financial affairs and resources to the Toronto Catholic District School Board ("Board") and which are controlled by the Board.

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

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

**TORONTO CATHOLIC DISTRICT SCHOOL BOARD*****DRAFT*** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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**1. Significant accounting policies (continued):****(c) Trust funds:**

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

**(d) Cash and cash equivalents:**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments are highly liquid, subject to insignificant risk of changes in value and have a short maturity term of 90 days or less.

**(e) Investments:**

Temporary investments consist of marketable securities, which are liquid short-term investments with maturities of between three months and one year at the date of acquisition, and are carried on the consolidated statement of financial position at the lower of cost or fair value.

Long-term investments consist of investments that have maturities of more than one year. Long-term investments are recorded at cost and assessed regularly for permanent impairment.

**(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 are recognized as revenue in the fiscal year the related expenses are incurred or services are performed.

**TORONTO CATHOLIC DISTRICT SCHOOL BOARD*****DRAFT*** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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**1. Significant accounting policies (continued):****(g) 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 received or receivable for use in providing services, are recorded as deferred capital contributions, as defined in Regulation 395/11. These amounts are recognized as revenue in the consolidated statement of operations and accumulated surplus at the same rate as related tangible capital assets are amortized. The following items fall under this category:

- (i) government transfers received or receivable for capital purposes;
- (ii) other restricted contributions received or receivable for capital purposes; and
- (iii) property taxation revenue which were historically used to fund capital assets.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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## 1. Significant accounting policies (continued):

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

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, dental benefits, retirement gratuity, worker's compensation and long-term disability benefits. In 2012, changes were made to the Board's retirement gratuity plan, sick leave plan and retiree health, life and dental plan. The Board has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care costs trends, disability recovery rates, long-term inflation rates and discount rates. The cost of retirement gratuities were 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 or 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 costs are recognized over the expected average service life of each employee group.

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 year the events occur. Any actuarial gains and losses that are related to these benefits are recognized immediately in the years they arise.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 1. Significant accounting policies (continued):

- (ii) The cost of multi-employer defined pension plan benefits, such as the Ontario Municipal Employees Retirement System ("OMERS") pensions, is the employer's contributions due to the plan during the years.
- (iii) The costs of insured benefits are the employer's portion of insurance premiums owed for coverage of employees during the years.
- (i) Tangible capital assets:

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

Leases that 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 their estimated useful lives as follows:

Land improvements with finite lives	15 years
Buildings and building improvements	40 years
Portable structures	20 years
Other buildings	20 years
First-time equipping of schools	10 years
Furniture	10 years
Equipment	5 - 15 years
Computer hardware	5 years
Computer software	5 years
Vehicles	5 - 10 years
Leasehold improvements	Over lease term

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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## 1. Significant accounting policies (continued):

Assets under construction and assets that relate to pre-acquisition and pre-construction costs are not amortized until the asset is available for productive use.

Land permanently removed from service and held for resale is recorded at the lower of cost and estimated net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. Buildings permanently removed from service and held for resale cease to be amortized and are recorded at the lower of carrying value and estimated net realizable value. Tangible capital assets which meet the criteria for financial assets are reclassified as assets held for sale on the consolidated statement of financial position.

### (j) Government transfers:

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the years in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.

Government transfers for capital that meet the definition of a liability are referred to as deferred capital contributions. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

### (k) Investment income:

Investment income is reported as revenue in the period earned.

When required by the funding government or related act, investment income earned on externally restricted funds, such as pupil accommodation, educational development charges and special education, is added to the deferred revenue and forms part of the respective deferred revenue balances.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 1. Significant accounting policies (continued):

### (l) Long-term debt:

Long-term debt is recorded net of related sinking fund balances.

### (m) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees ("Trustees"). The budget approved annually 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. The approved operating budget for 2014 - 2015 is reflected on the consolidated statement of operations and accumulated surplus. The budget was approved on June 16, 2014.

### Revenue:

Approved budgets	\$ 1,211,278
Direct capital contribution for amortization	(1,352)
Capital grants adjusted due to cash flow changes	1,960
Capital grants transferred to deferred revenue or deferred capital contributions	(53,772)
	<u>1,158,114</u>

### Expenses:

Approved budgets	1,210,986
Capital additions	(94,485)
PSAB adjustments	(12,540)
	<u>1,103,961</u>

Annual surplus	<u>\$ 54,153</u>
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**TORONTO CATHOLIC DISTRICT SCHOOL BOARD*****DRAFT*** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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**1. Significant accounting policies (continued):****(n) Use of estimates:**

The preparation of consolidated financial statements in conformity with the basis of accounting described in (a) 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 consolidated financial statements, and the reported amounts of revenue and expenses during the year. Accounts subject to significant estimates include accrued liabilities and employee future benefits. Actual results could differ from those estimates.

**(o) Property tax revenue:**

Under PSAB, 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 municipalities is recorded as part of Provincial Legislative Grants.

**2. Changes in accounting policies:**

The Board has implemented PSAB Section 3260, Liability for Contaminated Sites ("Section 3260"). Section 3260 requires governments to record a liability in their financial statements if they have a contaminated site that meets the requirements set out in the standard. The standard defines contamination as the introduction into air, soil, water or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard. The standard generally applies to sites that are not in productive use. Sites that are in productive use are only considered contaminated if there was an unexpected event that resulted in contamination. The Board adopted this standard on a retroactive basis and there were no adjustments as a result of the adoption of this standard.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 3. Account receivable - Government of Ontario:

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

The Board has an account receivable from the Province of \$363,384 as at August 31, 2015 (2014 - \$373,378) with respect to capital grants.

## 4. Deferred revenue:

Revenues received and that have been set aside for specific purposes by legislation, regulation or agreement are included in deferred revenue and reported on the consolidated statement of financial position.

Deferred revenue set aside for specific purposes by legislation, regulation or agreement as at August 31, 2015 is comprised of:

	Balance, August 31, 2014	Externally restricted revenue and investment income	Revenue recognized during the year	Transfers to deferred capital contributions	Balance, August 31, 2015
Pupil accommodation	\$ 14,684	\$ 15,880	\$ (2,434)	\$ (17,835)	\$ 10,295
Education development charges	34,561	22,385	(19,192)	—	37,754
Proceeds of disposition	44,410	11,935	(53)	—	56,292
Financial contributions	2,405	—	—	(100)	2,305
Other	32,302	201,834	(183,909)	(16,141)	34,086
	<u>\$ 128,362</u>	<u>\$ 252,034</u>	<u>\$ (205,588)</u>	<u>\$ (34,076)</u>	<u>\$ 140,732</u>

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)  
(In thousands of dollars)

Year ended August 31, 2015

## 5. 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 expended by year end. The contributions are amortized into revenue over the life of the asset acquired.

	2015	2014
Balance, beginning of year	\$ 804,551	\$ 789,966
Additions to deferred capital contributions	58,513	57,124
Revenue recognized in the year	(44,363)	(42,539)
Balance, end of year	\$ 818,701	\$ 804,551

## 6. Temporary borrowing:

The Board has an operating line of credit available to a maximum of \$65,000 to address operating requirements. No amounts have been drawn as at August 31, 2015 (2014 - nil).

Interest on the operating facility is at the bank's prime lending rate minus 0.65%, which is due on demand.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 7. Net long-term debt:

Net long-term debt reported on the consolidated statement of financial position comprises the following:

	Interest rate	Maturity date	2015	2014
Debenture CIBC Mellon Trust Series 2002-A2	5.900	October 11, 2027	\$ 67,783	\$ 71,367
Debenture CIBC Mellon Trust Series 2003-A2	5.800	November 7, 2028	35,551	37,249
Debenture Ontario Financing Authority ("OFA") Series 2009-A2	5.347	November 15, 2033	20,242	20,871
Debenture OFA Series 2009-A4	5.105	May 15, 2029	17,489	18,327
Debenture OFA Series 2007	4.560	November 15, 2031	11,209	11,657
Debenture OFA Series 2009-A3	5.062	March 13, 2034	11,066	11,411
Debenture CIBC Mellon Trust Series 2002-A1 sinking fund	5.700	October 11, 2017	11,858	11,858
Debenture OFA Series 2010-A345	5.232	April 13, 2035	10,299	10,587
Debenture OFA Series 2008	4.900	March 3, 2033	9,770	10,108
Debenture OFA Series 2009-A5	4.672	May 15, 2024	3,722	4,048
Debenture CIBC Mellon Trust Series 2000-A1	7.200	June 9, 2025	3,951	4,213
Debenture OFA Series 2010-A1	4.762	November 15, 2029	3,361	3,519
Debenture OFA Series 2009-A1	4.766	November 15, 2024	2,728	2,950
Debenture OFA Series 2010-A2	4.337	November 15, 2024	1,165	1,263
Debenture OFA Series 2013	3.663	June 25, 2038	55,768	57,281
Debenture OFA Series 2014	4.037	October 30, 2028	28,878	30,466
Debenture OFA Series 2014B	4.033	March 11, 2039	34,225	35,072
Debenture OFA Series 2015	2.993	March 9, 2040	24,440	—
			353,505	342,247
Less sinking fund assets			4,803	4,381
			348,702	337,866
Capital leases with maturities ranging from 2016 to 2020 at an interest rate of 2.35%			3,299	4,348
Balance, end of year			\$ 352,001	\$ 342,214

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 7. Net long-term debt (continued):

Principal, sinking fund contributions and interest payments on the debenture debt due over the next five years and thereafter are as follows:

Fiscal year	Principal and sinking fund contributions	Interest payments	Capital lease payments	Total
2015/2016	\$ 14,532	\$ 16,785	\$ 1,588	\$ 32,905
2016/2017	15,262	16,039	1,251	32,552
2017/2018	23,086	14,909	307	38,302
2018/2019	16,839	13,753	153	30,745
2019/2020	17,690	12,897	—	30,587
Thereafter	261,293	84,762	—	346,055
	\$ 348,702	\$ 159,145	\$ 3,299	\$ 511,146

Sinking fund assets are administered by the Ontario School Board Financing Corporation and have a fair value of \$4,997 (2014 - \$4,477) with a cost of \$4,803 (2014 - \$4,381). Sinking fund assets comprise short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds, with a debenture value of \$11,858 (2014 - \$11,858).

Interest on net long-term debt amounted to \$16,959 (2014 - \$16,368).

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 8. Debt repayment and sinking fund contributions:

The expenditure for debt charges, capital loans and capital leases includes principal payments, debt maturity, sinking fund contributions and interest payments as follows:

	2015	2014
Repayment of matured debt	\$ —	\$ 31,236
Principal payments on net debt, including contributions to sinking funds	13,430	10,870
Principal payments on capital leases	1,548	1,239
Interest payments on net debt	16,810	16,331
Interest payments on capital leases	88	133
	<u>\$ 31,876</u>	<u>\$ 59,809</u>

Included in debt repayment and sinking fund contributions on the consolidated statement of cash flows of \$13,604 (2014 - \$42,455) are principal payments on net debt, including contributions to sinking funds of \$13,430 (2014 - \$10,870), sinking fund interest revenue of \$174 (2014 - \$349) and debt maturity of nil (2014 - \$31,236).

## TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

### 9. Tangible capital assets:

	Cost				Accumulated amortization				Net book value	
	Balance, September 1, 2014	Additions and transfers	Disposals	Balance, August 31, 2015	Balance, September 1, 2014	Amortization	Disposals, write-offs and adjustments	Balance, August 31, 2015	August 31, 2015	August 31, 2014
Land	\$ 227,281	\$ 17,072	\$ (1,631)	\$ 242,722	\$ —	\$ —	\$ —	\$ —	\$ 242,722	\$ 227,281
Land improvements	15,124	3,967	—	19,091	2,761	1,236	—	3,997	15,094	12,363
Buildings	1,204,473	49,485	(2,533)	1,251,425	441,405	39,842	(1,690)	479,557	771,868	763,068
Furniture and equipment	28,744	6,102	(3,395)	31,451	10,393	3,594	(3,395)	10,592	20,859	18,351
Construction in progress	21,612	(617)	—	20,995	—	—	—	—	20,995	21,612
Capital leased assets	5,901	474	—	6,375	1,571	1,553	—	3,124	3,251	4,330
	\$ 1,503,135	\$ 76,483	\$ (7,559)	\$ 1,572,059	\$ 456,130	\$ 46,225	\$ (5,085)	\$ 497,270	\$ 1,074,789	\$ 1,047,005

Assets under construction:

Assets under construction of \$20,995 (2014 - \$21,612) have not been amortized. Amortization of these assets will commence when the asset is put into service.

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

## **DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

### 10. Retirement and other employee future benefits:

				2015	2014
	Pension benefits	Retirement benefits	Other employee future benefits	Total	Total
Accrued benefit obligation:					
Balance, beginning of year	\$ 2,674	\$ 91,458	\$ 13,454	\$ 107,586	\$ 117,981
Employer current service cost	—	—	1,340	1,340	1,444
Interest on accrued benefit obligation	84	2,797	409	3,290	3,493
Benefits paid	(189)	(11,638)	(2,326)	(14,153)	(11,846)
Estimate adjustment loss (gain)	—	2,799	—	2,799	(3,146)
Net amortization of estimated loss (gain)	421	(352)	(4,666)	(4,597)	(340)
Balance, end of year	\$ 2,990	\$ 85,064	\$ 8,211	\$ 96,265	\$ 107,586
Plan assets:					
Fair value, beginning of year	\$ —	\$ —	\$ —	\$ —	\$ —
Employer contributions	189	11,638	2,326	14,153	11,846
Benefits paid	(189)	(11,638)	(2,326)	(14,153)	(11,846)
Fair value, end of year	\$ —	\$ —	\$ —	\$ —	\$ —
Funded status:					
Plan deficit	\$ 2,990	\$ 85,064	\$ 8,211	\$ 96,265	\$ 107,586
Unamortized net actuarial gain (loss)	—	1,300	(105)	1,195	3,414
Accrued benefit liability	\$ 2,990	\$ 86,364	\$ 8,106	\$ 97,460	\$ 111,000
Retirement and other employees' future benefits expenses <sup>(i)</sup> :					
Current year benefit costs	\$ —	\$ —	\$ 1,340	\$ 1,340	\$ 1,444
Interest on accrued benefit obligation	84	2,797	409	3,290	3,493
Net amortization of estimated loss (gain)	421	(352)	(4,666)	(4,597)	(340)
Employee future benefits expenses (recoveries) <sup>(i)</sup>	\$ 505	\$ 2,445	\$ (2,917)	\$ 33	\$ 4,597

<sup>(i)</sup>Excluding pension contributions to OMERS, a multi-employer pension plan described below.



# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 10. Retirement and other employee future benefits (continued):

The amounts of the employee future benefit liabilities for the other post-employment benefits are based on actuarial valuations for accounting purposes as at August 31, 2015. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations and the Board's best estimates of expected rates are as follows:

	Retirement benefits		Other employee future benefits	
	2015	2014	2015	2014
Discount on accrued benefit obligations	2.35%	3.25%	2.35%	3.25%
Wage and salary escalation	n/a	n/a	n/a	n/a
Insurance and health care cost escalation	7.70% per annum grading down to an ultimate rate of 4.50%	7.90% per annum grading down to an ultimate rate of 4.50%	7.70% per annum grading down to an ultimate rate of 4.50%	7.90% per annum grading down to an ultimate rate of 4.50%

### (a) Retirement gratuity plans:

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 included in the Board's consolidated financial statements.

The amount of the gratuities payable to eligible employees at retirement is now based on their salary, accumulated sick days and years of service at August 31, 2012.

### (b) 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 illness paid through the short-term leave and disability plan in that year. The benefit costs expensed in the consolidated financial statements are \$370 (2014 - \$370).

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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## 10. Retirement and other employee future benefits (continued):

For accounting purposes, the valuation of the accrued benefit obligation for the sick leave top-up is based on actuarial assumptions about future events determined as at August 31, 2012 (the date at which probabilities of usage were determined) and is based on the average daily salary and banked sick days of employees as at August 31, 2015.

### (c) Workplace Safety and Insurance Board ("WSIB"):

The Board is a Schedule 2 employer under the Workplace Safety and Insurance Act ("WSI Act") and, as such, assumes responsibility for the payment of all claims to its injured workers under the WSI Act. The Board does not fund these obligations in advance of payment made under the WSI Act. The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements. WSIB amounts paid in the year were \$1,956 (2014 - \$1,956).

### (d) Post-employment benefits:

Certain senior staff who retire or leave under a voluntary exit plan may elect, if their contractual arrangements permit, to continue coverage of health insurance and/or dental insurance and life insurance. The Board will pay 100% of the cost and the coverage terminates when the employee reaches age 65. In addition, supervisory office, non-union, office, clerical, technical and custodial staff are eligible for a \$5 life insurance benefit if they retire on or after age 65. Post-employment benefits paid in the year were \$189 (2014 - \$209). The benefit costs and liabilities related to this plan are included in the Board's consolidated financial statements.

### (e) Ontario Teachers' Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teachers' Pension Plan. Employer contributions for these employees are provided directly by the Province. 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 CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 10. Retirement and other employee future benefits (continued):

### (f) Ontario Municipal Employees Retirement System:

All non-teaching employees of the Board are eligible to be members of OMERS, a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employees contribute up to 8.8% of their earnings and the Board matches the employee contributions to the plan. During the year ended August 31, 2015, the Board contributed \$15,007 (2014 - \$14,966) 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.

## 11. Expenses by object:

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

	Budget 2015	Actual 2015	Actual 2014
Salary and wages	\$ 777,551	\$ 786,807	\$ 774,275
Employee benefits	112,175	118,507	119,342
Staff development	1,023	906	1,176
Supplies and services	80,989	86,731	88,802
Debt charges and interest	18,141	16,959	16,368
Rental	2,136	3,688	3,373
Fees and contract services	63,374	43,431	37,594
Other	4,774	6,676	5,928
Amortization	43,798	46,225	43,113
	<b>\$ 1,103,961</b>	<b>\$ 1,109,930</b>	<b>\$ 1,089,971</b>

# TORONTO CATHOLIC DISTRICT SCHOOL BOARD

**DRAFT** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

## 12. Commitments and contingencies:

### (a) Commitments:

#### (i) Construction commitments:

Commitments on incomplete construction contracts for various school building projects amounted to approximately \$10,195 (2014 - \$26,857) as at August 31, 2015.

#### (ii) Letters of credit:

The Board has 45 (2014 - 45) bank letters of credit outstanding in favour of the local government totalling \$4,774 (2014 - \$5,004) as at August 31, 2015, pertaining to construction projects. The latest expiry date is August 30, 2016.

#### (iii) Operating leases and maintenance contracts:

The Board has operating leases and maintenance contracts with the following annual payments:

2015/2016	\$ 7,061
2016/2017	5,350
2017/2018	3,478
2018/2019	2,399
2019/2020	2,345
Thereafter	33,995
	<hr/>
	\$ 54,628

#### (iv) Gas contracts:

The Board has entered into forward contracts to purchase natural gas for consumption by its schools. The commitment is to purchase 2,900 Gigajoule of natural gas per day over a period from September 1, 2015 to October 31, 2016. The value of these contracts as at August 31, 2015 was \$1,519 for gas commodity and \$1,014 for gas transportation.

# **TORONTO CATHOLIC DISTRICT SCHOOL BOARD**

***DRAFT*** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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## **12. Commitments and contingencies (continued):**

### **(b) Contingencies:**

In the normal course of operations, various claims are brought against the Board. The Board contests the validity of these claims and management believes any settlement amounts required will not have a material effect on the consolidated financial position of the Board.

#### **Employee benefits:**

Included in accounts payable and accrued liabilities is \$17,546 (2014 - \$20,632), representing the estimated fully funded contingency for future benefits on the Board's self-funded health benefits, which may be payable to eligible employees. Management believes an unknown portion of this balance may not ultimately be payable. The amount accrued represents management's best estimate of the maximum potential liability.

## **13. Trust funds:**

Trust funds administered by the Board amounting to \$512 (2014 - \$529) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus.

## **14. Ontario School Board Insurance Exchange ("OSBIE"):**

The Board is a member of OSBIE, a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$24,000 per occurrence.

The ultimate premiums over a five-year period are based on both the reciprocal's and the Board's actual claims experience. Periodically, the Board may receive a refund or be asked to pay an additional premium, based on its pro rata share of claims experience. The current five-year term expires in December 2016.

# **TORONTO CATHOLIC DISTRICT SCHOOL BOARD**

***DRAFT*** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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## **15. Repayment of The "55 School Board Trust" funding:**

On June 1, 2003, the Board received \$50,415 from The "55 School Board Trust" (the "Trust") for its capital-related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the Trust. The Trust was created to refinance the outstanding not permanently financed ("NPF") debt of participating boards that are beneficiaries of the Trust. Under the terms of the agreement, the 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.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's consolidated financial position. Included in provincial grants (student needs) is \$3,765 related to the funding for the Trust. The same amount is included in other expenses.

## **16. Toronto Transportation Group:**

On September 21, 2011, the Toronto Transportation Group was created as a Membership Agreement between the Board and the Toronto District School Board in order to provide common administration of student transportation in the region. This agreement was executed in an effort to increase delivery efficiency and cost effectiveness of student transportation for each of the school boards. Under the agreement, decisions related to the financial and operating activities of the Toronto Transportation Group are shared. No party is in a position to exercise unilateral control.

The Board's consolidated financial statements reflect proportionate consolidation, whereby they include the assets that it controls, the liabilities that it has incurred and its pro rata share of revenue and expenses.

**TORONTO CATHOLIC DISTRICT SCHOOL BOARD*****DRAFT*** Notes to Consolidated Financial Statements (continued)

(In thousands of dollars)

Year ended August 31, 2015

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**17. Subsequent events:**

Subsequent to August 31, 2015, Ontario English Catholic Teachers Association ("OECTA") ratified agreements at the central level which include a voluntary retirement gratuity early payout provision. This provision may have a future impact on the Board's employee future benefit liability. There is no impact to the 2014-15 fiscal year. To be effective, the collective agreements must be ratified at both the central and local level. At the reporting date of these financial statements, local ratification has not occurred for OECTA.

The voluntary retirement gratuity early payout provision provides OECTA members the option of receiving a discounted frozen retirement gratuity benefit payment on August 31, 2016. The voluntary retirement gratuity early payout provision may result in payouts occurring earlier than anticipated and generally at a discount to August 31, 2015 financial statement carrying values. As a result, the reduction in the liability for those members who take the voluntary retirement gratuity early payout option will be accompanied by actuarial gains or losses in the Board's 2015-16 year financial statements. At this time, the change in the liability cannot be estimated since members of OECTA have until May 31, 2016 to declare their participation in the voluntary retirement gratuity early payout option.