

Consolidated Financial Statements of

**UPPER GRAND DISTRICT
SCHOOL BOARD**

Year ended August 31, 2011

MANAGEMENT REPORT

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of the Upper Grand District School Board are the responsibility of the Board Management and have been prepared in compliance with legislation, and in accordance with the financial reporting provisions described in note 1(a) to the consolidated financial statements.

A summary of the significant accounting policies are described in note 1 to the consolidated financial statements. The preparation of consolidated financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

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

Martha Rogers, Director of Education
& Secretary-Treasurer

Janice Wright, Superintendent of Finance

November 22, 2011



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of Upper Grand District School Board

We have audited the accompanying consolidated financial statements of Upper Grand District School Board, which comprise the statement of financial position as at August 31, 2011, and the consolidated statements of operations, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management based on the financial reporting provisions described in note 1(a) to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation 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 the auditors' 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 and fair presentation 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.



Opinion

In our opinion, the consolidated financial statements of Upper Grand District School Board for the year ended August 31, 2011 present fairly, in all material respects, the consolidated financial position of Upper Grand District School Board at as August 31, 2011, and its consolidated results of operations and changes in its consolidated net debt and consolidated cash flows for the year then ended in accordance with the basis of accounting described in note 1(a) to the consolidated financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to note 1(a) to the consolidated financial statements which describes the basis of accounting. The consolidated financial statements are prepared to assist Upper Grand District School Board to meet the requirements of the Ontario Ministry of Education. As a result, the consolidated financial statements may not be suitable for another purpose.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

November 22, 2011
Waterloo, Canada

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Financial Position

August 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
Financial Assets		
Cash	\$ 43,839,142	\$ 37,307,755
Cash - school activity funds (note 3)	3,160,231	3,004,449
Accounts receivable (note 4)	18,243,434	17,027,226
Accounts receivable - Government of Ontario approved capital (note 5)	131,813,427	129,575,077
Total financial assets	197,056,234	186,914,507
Financial Liabilities		
Accounts payable and accrued liabilities	31,770,083	35,424,334
Deferred revenue (note 6)	9,101,618	6,684,197
Deferred capital contributions (note 7)	244,361,338	239,426,676
Employee future benefits payable (note 8)	38,562,981	36,490,642
Net long-term debt (note 9)	126,811,223	123,867,561
Total financial liabilities	450,607,243	441,893,410
Net debt	(253,551,009)	(254,978,903)
Non-financial Assets		
Prepaid expenses	927,589	781,705
Tangible capital assets (note 10)	275,045,537	267,476,918
Total non-financial assets	275,973,126	268,258,623
Contractual obligations and contingent liabilities (note 15)		
Accumulated surplus	\$ 22,422,117	\$ 13,279,720
Financial Position		
Available for compliance - internally appropriated	\$ 37,487,691	\$ 29,184,905
Unavailable for compliance - externally appropriated	(15,065,574)	(15,905,185)
Total accumulated surplus	\$ 22,422,117	\$ 13,279,720

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_____ Chair of the Board

_____ Chief Executive Officer

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Operations

Year ended August 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited)	2011 Actual	2010 Actual (Restated)
Revenues			
Provincial grants - student focused funding	\$ 211,988,121	\$ 215,877,013	\$ 193,773,896
Local taxation	93,835,669	92,607,579	93,421,481
Provincial grants - other	5,121,904	6,740,290	7,853,937
Federal grants and fees	669,292	663,147	688,481
Other revenues - school boards	725,966	287,180	1,544,889
Other fees and revenues	1,503,114	3,845,052	7,864,818
School fundraising and other revenues	11,405,142	11,775,339	11,545,300
Investment income	206,928	699,283	282,868
Grants recognized for deferred capital contributions	11,451,358	12,683,990	12,060,641
Total revenues	336,907,494	345,178,873	329,036,311
Expenses			
Instruction	253,229,657	253,183,148	246,558,503
Administration	8,061,432	7,994,597	7,853,291
Transportation	16,042,144	15,756,751	16,336,964
Pupil accommodation	48,970,775	46,536,932	42,979,333
School funded activities	11,630,948	11,619,557	11,451,325
Other	847,600	945,491	847,600
Total expenses	338,782,556	336,036,476	326,027,016
Annual surplus (deficit)	(1,875,062)	9,142,397	3,009,295
Accumulated surplus, beginning of year	13,622,137	13,279,720	10,270,425
Accumulated surplus, end of year	\$ 11,747,075	\$ 22,422,117	\$ 13,279,720

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Schedule of Changes in Net Debt

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
Annual surplus	\$ 9,142,397	\$ 3,009,295
Tangible capital asset activity		
Acquisition of tangible capital assets	(20,549,719)	(24,281,674)
Amortization of tangible capital assets	12,958,349	12,264,417
Loss on sale of tangible capital assets	22,751	-
Gain on sale allocated to deferred revenue	(3,064,721)	(3,667,956)
Proceeds on sale of tangible capital assets	3,064,721	4,027,955
Total tangible capital asset activity	(7,568,619)	(11,657,258)
Other non-financial asset activity		
Acquisition of prepaid expenses	(558,300)	(401,322)
Use of prepaid expenses	412,416	369,681
Total other non-financial asset activity	(145,884)	(31,641)
Increase (decrease) in net debt	1,427,894	(8,679,604)
Net debt, beginning of year	(254,978,903)	(246,299,299)
Net debt, end of year	\$ (253,551,009)	\$ (254,978,903)

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Consolidated Statement of Cash Flow

Year ended August 31, 2011, with comparative figures for 2010

	2011	2010 (Restated)
Sources and (uses)		
Operating transactions		
Annual surplus	\$ 9,142,397	\$ 3,009,295
Items not involving cash:		
Amortization of tangible capital assets	12,958,349	12,264,417
Loss on sale of tangible capital assets	22,751	-
Gain on sale allocated to deferred revenue	(3,064,721)	(3,667,956)
Grants recognized for deferred capital contributions	(12,683,990)	(12,060,641)
Increase in employee future benefits payable	2,072,339	1,290,226
Transfer from deferred revenue to deferred capital contributions	919,816	-
Change in non-cash assets and liabilities:		
Increase in accounts receivable	(1,216,208)	(1,562,732)
Increase (decrease) in accounts payable and accrued liabilities	(3,654,251)	5,718,928
Increase (decrease) in deferred revenue	2,417,421	(1,318,919)
Decrease in prepaid expenses	(145,884)	(31,641)
Increase in cash from operating transactions	5,848,203	3,640,977
Capital transactions		
Proceeds on sale of tangible capital assets	3,064,721	4,027,955
Cash used to acquire tangible capital assets	(20,549,719)	(24,281,674)
Decrease in cash from capital transactions	(17,484,998)	(20,253,719)
Financing transactions		
Capital grants received	14,481,111	24,060,366
Disposal of funded tangible capital assets (deferred capital contributions reduction)	(20,625)	-
Transfer from deferred revenue to deferred capital contributions	919,816	-
Advance of long-term liabilities	7,875,498	14,004,690
Debt repayments and sinking fund contributions	(4,931,836)	(3,897,105)
Increase in cash from financing transactions	18,323,964	34,167,951
Increase in cash and cash equivalents	6,687,169	17,555,209
Cash and cash equivalents, beginning of year	40,312,204	22,756,995
Cash and cash equivalents, end of year	\$ 46,999,373	\$ 40,312,204
The components of cash and cash equivalents are as follows:		
	2011	2010
Cash	\$ 43,839,142	\$ 37,307,755
Cash - school activity funds	3,160,231	3,004,449
	\$ 46,999,373	\$ 40,312,204
	2011	2010
Cash paid for interest	\$ 7,365,931	\$ 6,804,578
Cash received for interest	699,283	282,868

See accompanying notes to consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements

Year ended August 31, 2011

1. Significant accounting policies:

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants (CICA). The consolidated financial statements are the representation of management.

(a) Basis of accounting:

These consolidated financial statements have been prepared in accordance with Ontario Regulation 196/10 "Grants for Student Needs", which requires school boards to comply with all regulations, policies, guidelines, directives and similar instruments. In 2004, direction was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Public Sector Accounting Standards established by the PSAB of the CICA.

In March 2011, PSAB released a new Public Sector Accounting Standard PS 3410 "Government Transfers". The Ontario Ministry of Education provided direction on the adoption of this new standard in memorandum 2011:B08. The Ontario Ministry of Education required the implementation of this Government Transfers standard on a retroactive basis as described in note 2 to the financial statements.

The Ministry direction requires school boards to record a liability called a deferred capital contribution (DCC) equal to the amount of the net book value of the depreciable assets at September 1, 2010 that have been funded through Ministry approvals. As a result, property tax revenue which was used to acquire or construct depreciable capital assets prior to 1998, when school boards had taxing authority, is afforded the same treatment as government capital grants, which is to recognize related revenue over the remaining useful life of the asset as disclosed in note 2. Under the Public Sector Accounting Standard PS 3510, "Tax Revenue", property tax revenue should be recorded as revenue when received.

These consolidated financial statements have been prepared in accordance with the financial reporting framework described above.

(b) Reporting entity:

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity. The reporting entity is comprised of all organizations accountable for the administration of their financial affairs and resources to the Board and which are controlled by the Board.

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

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

1. Significant accounting policies (continued):

(b) Reporting entity (continued):

Service de Transport de Wellington Dufferin Student Transportation Services (STWDSTS) is a separately incorporated transportation consortium of five member school boards operating through an agreement, whereby certain costs are shared. As a result, the proportionate amounts of STWDSTS' assets, liabilities, revenues and expenses have been consolidated with the Board's financial statements.

(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) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(e) Retirement and other employee future benefits:

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, life insurance and health care benefits, retirement gratuities, 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 costs trends, disability recovery rates, long-term inflation rates and discount rates.

For self insured retirement and other employee future benefits that vest or accumulate over the periods of service provided by employees, such as retirement gratuities and life insurance and health care benefits for retirees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group. The accumulated benefit obligation has not been included in the Board's consolidated financial statements.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

1. Significant accounting policies (continued):

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

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

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

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

(f) 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 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 their estimated useful lives as follows:

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

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

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

1. Significant accounting policies (continued):

(f) Tangible capital assets (continued):

Land permanently removed from service and held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for improvements to prepare the land for sale or servicing. 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.

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

(g) Government transfer payments:

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

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

(h) 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 external restricted funds such as pupil accommodation, education development charges and special education forms part of the respective deferred revenue balances.

(i) Budget figures:

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Trustees. The budget approved by the Trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles established by PSAB, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. The budget figures are unaudited.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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 revenues and expenses during the year. Significant items subject to such estimates and assumptions, include the carrying value of tangible capital assets, valuation allowances for receivables, estimating provisions for accrued liabilities and valuation of obligations related to employee future benefits.

In addition, the Board's implementation of Public Sector Accounting Standard PS 3410 and the Ministry's directive 2011:B08, the Board was required to record previous capital grants as DCC. For the year ended August 31, 2011, these amounts and the related estimation techniques have been disclosed in note 2.

Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

2. Change in accounting policies:

(a) Government transfers:

In fiscal 2011, the Board early adopted Public Sector Accounting Handbook section 3410 Government Transfers as described in note 1(g). This change has been applied retroactively and prior periods have been restated. Government transfers for capital that meet the definition of a liability are referred to as DCC. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset.

At the direction of the Ministry, the Board has calculated the opening DCC balance as at September 1, 2010 as the value of the depreciable tangible capital assets less the unsupported capital debt, both at August 31, 2010. The unsupported capital debt is the portion of the Board's outstanding debt that is not supported by Ministry funding. This calculation provides a cost effective solution to determine the opening balance, allowing for the standard to be implemented retroactively. Retroactive implementation results in a set of financial statements that is relevant, understandable to the user, and comparable over periods and amongst school boards in Ontario.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

2. Change in accounting policies (continued):

(a) Government transfers (continued):

This change in accounting policy has changed amounts reported in the prior period as follows:

Accumulated surplus as August 31, 2010:	
Accumulated surplus, as per prior year policy	\$ 257,518,773
Transfer to deferred capital contributions	(239,426,676)
Transfer to deferred revenue	(2,676,266)
Ministry adjustment to approved capital funding (note 2(b))	(2,136,111)
Accumulated surplus, as restated	\$ 13,279,720

Annual surplus for the year ended August 31, 2010:	
Annual surplus, as per prior year policy	\$ 146,720,208
Plus: Grants recognized for deferred capital contributions	12,060,641
Less: Ministry adjustment to approved capital funding (note 2(b))	(2,136,111)
Less: In-year Provincial capital contributions	(153,635,443)
Annual surplus, as restated	\$ 3,009,295

Annual surplus for the year ended August 31, 2011:	
Annual surplus, as per prior year policy	\$ 13,177,868
Plus: Grants recognized for deferred capital contributions	12,683,990
Less: In-year Provincial capital contributions	(16,719,461)
Annual surplus, as restated	\$ 9,142,397

(b) Ministry adjustment to approved capital funding:

During the year ended August 31, 2011, the Ministry of Education requested the School Board make an adjustment to the calculation of the capital funding receivable balance at August 31, 2010. The impact of the revision has been recorded retrospectively resulting in a decrease in accounts receivable – Government of Ontario by \$2,048,804, a decrease in accounts payable and accrued liabilities by \$87,307 at August 31, 2010 and a \$2,136,111 reduction in the surplus for the year ended August 31, 2010.

3. Cash – school activity funds:

This balance consists of cash held by various organizations that exist at the school level.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

4. Accounts receivable:

Accounts receivable consists of the following:

	2011	2010
Government of Canada	\$ 2,084,418	\$ 2,169,192
Government of Ontario	2,286,348	611,862
Local governments	12,655,154	12,346,591
Other school boards	450,799	1,124,320
Other	766,715	775,261
	\$ 18,243,434	\$ 17,027,226

5. Accounts receivable – Government of Ontario approved capital:

The Province of Ontario has replaced variable capital funding with a one-time debt support grant in 2009-10. 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 will receive 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 Ontario of \$131,813,427 (2010 - \$129,575,077) as at August 31, 2011 with respect to this capital grant.

6. 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, 2011, is comprised of:

	Balance as at August 31, 2010 (Restated)	Externally restricted revenue and investment income	Revenue recognized in the period	Transfers to deferred capital contributions	Balance as at August 31, 2011
School renewal	\$ -	\$ 4,779,955	\$ 4,714,599	\$ -	\$ 65,356
Energy efficient schools	-	3,380,600	2,460,783	919,816	-
Education development charges	975,385	956,625	1,932,010	-	-
Proceeds of disposition	5,514,764	3,064,721	23,140	-	8,556,345
Other	194,048	2,816,938	2,531,070	-	479,917
Total deferred revenue	\$ 6,684,197	\$ 14,998,839	\$ 11,661,602	\$ 919,816	\$ 9,101,618

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

7. Deferred capital contributions:

Government transfers for capital that meet the definition of a liability are referred to as DCC. Amounts are recognized into revenue as the liability is extinguished over the useful life of the asset. The Ministry provided direction to the school boards in the establishment of the opening balance of the deferred capital contributions as disclosed in note 2.

	2011	2010
Deferred capital contributions, beginning of year	\$ 239,426,676	\$ 97,851,874
Additions to deferred capital contributions	16,719,461	153,635,443
Revenue recognized in the period	(12,683,990)	(12,060,641)
Transfers to deferred revenue	919,816	-
Disposals	(20,625)	-
Deferred capital contributions, end of year	\$ 244,361,338	\$ 239,426,676

8. Retirement and other employee future benefits:

	2011		2010	
Retirement and other employee future benefit liabilities	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Accrued employee future benefit obligations at August 31	\$ 9,471,251	\$ 29,091,730	\$ 38,562,981	\$ 36,490,642

	2011		2010	
Retirement and other employee future benefit expenses	Retirement benefits	Other employee future benefits	Total employee future benefits	Total employee future benefits
Current year benefit cost	\$ 640,032	\$ 1,822,961	\$ 2,462,993	\$ 2,376,155
Amortization of past service costs	365,260	-	365,260	154,256
Interest on accrued benefit obligation	483,558	1,439,663	1,923,221	1,517,381
Recognized actuarial losses	-	549,624	549,624	231,373
Employee future benefit expenses	\$ 1,488,850	\$ 3,812,248	\$ 5,301,098	\$ 4,279,165

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

8. Retirement and other employee future benefits (continued):

Pension plans:

(i) Ontario Teacher's Pension Plan:

Teachers and related employee groups are eligible to be members of the Ontario Teacher's 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:

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System (OMERS), a multi-employer pension plan. The plan provides defined pension benefits to employees based on their length of service and rates of pay. Employee contribution rates are at rates of up to 9.6% of earnings. The Board's contributions equal the employees' contributions to the plan. During the year ended August 31, 2011, the Board contributed \$2,820,010 (2010 - \$2,477,061) 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.

Retirement benefits:

(i) Retirement gratuities:

Under sick leave benefit plans, unused sick leave can accumulate and employees may become entitled to a cash payment when they retire, subject to the provisions defined in their collective agreement with the Board. The amount of the gratuity varies with the number of unused sick days and number of years experience with the Board, annual salary and limits defined within collective agreements. In the event of the death of an employee, the amount of the sick leave benefit (retirement gratuity) that would have been paid to the employee if they had retired on the date of their death, will be paid to their estate. 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.

(ii) Post-employment insurance coverage:

The Board offers its permanent employees life insurance, accidental death and dismemberment, dental and health care benefits upon retirement until age 65. 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. If an employee retires before age 65, the Board allows the retiree to continue their benefits in the plan, at the Board rate, at 100% cost to the retiree, until age 65.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

8. Retirement and other employee future benefits (continued):

Other Employee Future Benefits:

(i) Workplace Safety and Insurance Board Obligation:

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 total amount of the future benefit obligation in respect to claims at year end, as actuarially determined, is \$1,961,419 (2010 - \$1,964,616).

(ii) Long-term disability benefits:

The Board provides long-term disability benefits of partial payment of life insurance premiums and health care benefits during the period an employee is unable to work or until their normal retirement date. 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.

(iii) Sick leave benefits:

Under the sick leave benefit plans, employees are allocated a certain number of days each year for use as paid absences due to illness or injury. Employees are permitted to accumulate their unused allocation each year, up to the allowable maximum in their employment agreements. Accumulated credits may be used in future years to the extent that the duration of the employee's illness or injury exceeds the current year's allocation of credits. Sick leave credits are paid out at the salary in effect at the time of usage. The use of accumulated sick days for sick leave compensation ceases on termination of employment. 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.

Assumptions:

The accrued benefit obligations for employee future benefit plans as at August 31, 2011 are based on actuarial valuations for accounting purposes as at August 31, 2010. These actuarial valuations were based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimates of expected rates of:

	2011	2010
Inflation	2%	2%
Wage and salary escalation	3%	3%
Health insurance premium escalation (decreasing by 0.5% per annum to 4.0%)	10%	10.5%
Dental insurance premium escalation (decreasing by 0.5% per annum to 3.0%)	6%	6.5%
Discount on accrued benefit obligations	4%	4.5%

The Board has designated reserves for certain of these employee future benefit obligations. The balance of these reserves totaled \$4,404,290 (2010 - \$3,404,290) at August 31, 2011.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

9. Net debentures and loans:

Net debentures and loans reported on the Statement of Financial Position comprises of the following:

	2011	2010
Debenture, repayable in annual instalments as specified by City of Guelph Bylaw (1996), plus variable interest, matures December 16, 2011	\$ 400,000	\$ 800,000
Debenture, repayable in annual instalments as specified by City of Guelph Bylaw (1997), plus variable interest, matures December 18, 2012	884,000	1,294,000
Sinking fund debenture, repayable as specified by Upper Grand District School Board Bylaw (1999)-1, plus variable interest, matures December 13, 2024	28,825,000	28,825,000
Debenture, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2002)-A2-UG, plus interest at 5.9% per annum, matures October 11, 2027	14,644,889	15,158,662
Sinking fund debenture, repayable as specified by Upper Grand District School Board Bylaw (2002)-A1-UG, plus interest at 5.7% per annum, matures October 11, 2017	2,145,260	2,145,260
Sinking fund debenture, repayable as specified by Upper Grand District School Board Bylaw (2003)-A1-UG, plus interest at 5.3% per annum, matures November 7, 2013	16,949,900	16,949,900
Debenture, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2003)-A2-UG, plus interest at 5.8% per annum, matures November 7, 2028	18,185,665	18,773,288
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2006)-1, plus interest at 4.56%, matures November 17, 2031	12,044,916	12,394,246
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2009)-1, plus interest at 4.90%, matures March 3, 2033	9,065,152	9,293,949
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2009)-2, plus interest at 4.83%, matures March 3, 2033	1,070,885	1,098,159
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2010)-1, plus interest at 5.06%, matures March 13, 2034	4,862,274	4,973,600
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2010)-1, plus interest at 5.23%, matures April 13, 2035	13,721,356	14,004,692
Loan agreement, repayable in annual instalments as specified by Upper Grand District School Board Bylaw (2011)-1, plus interest at 4.83%, matures March 11, 2036	7,875,498	-
Less sinking fund assets (book value)	(3,863,572)	(1,843,195)
	\$ 126,811,223	\$ 123,867,561

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

9. Net debentures and loans (continued):

Principal and sinking fund payments relating to net debentures and loans of \$126,811,223 (2010 - \$123,867,561) outstanding as at August 31, 2011, are due as follows:

	Principal and Sinking Fund Contributions	Interest	Total
2012	\$ 5,129,061	\$ 7,341,790	\$ 12,470,851
2013	4,876,764	7,173,166	12,049,930
2014	18,891,294	6,571,459	25,462,753
2015	4,474,331	5,978,195	10,452,526
2016	4,631,212	5,821,207	10,452,419
Thereafter	88,808,561	49,297,997	138,106,558
	<u>\$ 126,811,223</u>	<u>\$ 82,183,814</u>	<u>\$ 208,995,037</u>

Included in net debentures and loans are outstanding sinking fund debentures of \$47,920,160 (2010 - \$47,920,160) secured by sinking fund assets with a carrying value of \$3,863,569 (market value - \$3,975,886). Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures and corporate bonds.

10. Tangible capital assets:

The Board's tangible capital assets are identified by asset type. The cost of tangible capital assets, their accumulated amortization and net book value are disclosed in the following schedule:

Cost	Balance at August 31, 2010	Additions and transfers	Disposals and transfers	Balance at August 31, 2011
Land	\$ 21,638,025	\$ 3,779,358	\$ 2,126	\$ 25,415,257
Land improvements	2,592,061	696,442	-	3,288,503
Buildings	309,233,399	12,780,456	743,478	321,270,377
Other buildings	790,952	72,573	-	863,525
Portable structures	3,755,984	-	-	3,755,984
First-time equipping of school	10,516,156	143,453	20,625	10,638,984
Furniture	263,572	32,469	-	296,041
Equipment	2,690,148	466,429	-	3,156,577
Computer hardware	10,699,447	1,685,999	-	12,385,446
Computer software	225,387	-	-	225,387
Vehicles	947,912	60,159	-	1,008,071
Construction in progress	5,217	832,381	-	837,598
	<u>\$ 363,358,260</u>	<u>\$ 20,549,719</u>	<u>\$ 766,229</u>	<u>\$ 383,141,750</u>

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

10. Tangible capital assets (continued):

Accumulated Amortization				
	Balance at August 31, 2010	Additions and transfers	Disposals	Balance at August 31, 2011
Land improvements	\$ 245,572	\$ 196,019	\$ -	\$ 441,591
Buildings	77,870,597	9,722,418	743,478	86,849,537
Other buildings	19,774	43,612	-	63,386
Portable structures	2,516,917	128,984	-	2,645,901
First-time equipping of schools	7,449,127	693,690	-	8,142,817
Furniture	54,547	26,566	-	81,113
Equipment	990,781	272,425	-	1,263,206
Computer hardware	5,994,738	1,762,699	-	7,757,437
Computer software	205,088	10,711	-	215,799
Vehicles	534,201	101,225	-	635,426
	\$ 95,881,342	\$ 12,958,349	\$ 743,478	\$ 108,096,213

Net Book Value		
	Balance at August 31, 2011	Balance at August 31, 2010
Land	\$ 25,415,257	\$ 21,638,025
Land improvements	2,846,912	2,346,489
Buildings	234,420,840	231,362,802
Other buildings	800,139	771,178
Portable structures	1,110,083	1,239,067
First-time equipping of schools	2,496,167	3,067,029
Furniture	214,928	209,025
Equipment	1,893,371	1,699,367
Computer hardware	4,628,009	4,704,709
Computer software	9,588	20,299
Vehicles	372,645	413,711
Construction in progress	837,598	5,217
	\$ 275,045,537	\$ 267,476,918

(a) Assets under construction:

Assets under construction having a value of \$837,598 (2010 - \$5,217) have not been amortized. Amortization of these assets will commence when the asset is put into service.

(b) Write-down of tangible capital assets:

The write-down of tangible capital assets during the year was \$nil (2010 - \$nil).

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

11. Debt charges:

The expenditure for debt charges includes principal, sinking fund contributions, operating leases and interest payments and are as follows:

	2011	2010
Principal payments on long-term liabilities including contributions to sinking funds	\$ 4,931,836	\$ 3,897,105
Payments on operating leases	66,742	58,516
Interest payments on long-term liabilities	7,365,931	6,804,578
	<u>\$ 12,364,509</u>	<u>\$ 10,760,199</u>

12. Expenses by object:

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

	2011 Budget	2011 Actual	2010 Actual
Current expenses:			
Salary and wages	\$ 226,262,724	\$ 226,578,672	\$ 217,636,300
Employee benefits	32,388,844	33,430,496	30,558,589
Staff development	1,174,181	1,458,633	1,248,782
Supplies and services	33,962,692	29,984,109	33,046,159
Interest charges on capital	7,076,830	7,365,931	6,804,578
Rental expenses	391,820	644,443	293,914
Fees and contract services	24,693,236	22,491,339	22,740,088
Other	1,006,501	1,071,762	1,012,775
Transfers to other boards	374,370	29,991	421,414
Amortization of tangible capital assets and loss on disposal	11,451,358	12,981,100	12,264,417
	<u>\$ 338,782,556</u>	<u>\$ 336,036,476</u>	<u>\$ 326,027,016</u>

13. Trust funds:

Trust funds administered by the Board amounting to \$891,163 (2010 - \$909,596) have not been included in the consolidated statement of financial position and their operations have not been included in the consolidated statement of operations.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

14. Ontario School Board Insurance exchange (OSBIE):

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. Liability insurance is available to a maximum of \$20,000,000 per occurrence.

The premiums over a five year period are based on 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 rolling five year term is based on July 2006 to June 2011 claims history.

15. Contractual obligations and contingent liabilities:

- (a) The Board is committed to the construction and renovation of various new and existing schools.

As at August 31, 2011, the following new school projects were in progress:

	Estimated remaining commitment
Eramosa Public School	\$ 707,180
King George Public School	7,823,453
Rickson Ridge Public School	501,196
Rockwood Centennial Public School	575,082
Westminster Woods Public School	563,075
Various primary class size projects	469,636
	<hr/> \$ 10,639,622 <hr/>

The Board intends to finance the \$10,639,622 commitment (2010 - \$6,276,834) through a combination of educational development charges, long-term financing and provincial funding for school renewal.

- (b) Operating leases:

At August 31, 2011, the Board is committed to the following operating leases:

2012	\$ 60,902
2013	52,822
2014	918
2015	25

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

15. Contractual obligations and contingent liabilities (continued):

(c) Pay equity:

The Board is subject to provincial pay equity legislation for its employees. It is Management's opinion that the amount of any potential settlement is not determinable at this time. Consequently, Management is not in a position to state that it has adequately provided for any or all potential settlements.

16. Accumulated surplus:

Accumulated surplus consists of the following:

	2011	2010
Surplus:		
Invested in non-depreciable tangible capital assets	\$ 22,591,112	\$ 20,661,228
Amounts restricted for future use:		
Employee future benefits	(38,562,981)	(36,490,642)
Retirement gratuities	4,404,290	3,404,290
School renewal	7,822,308	7,822,308
Other	26,167,388	17,882,536
Total surplus	\$ 22,422,117	\$ 13,279,720

17. Budget Data:

The unaudited budget data presented in these consolidated financial statements is based upon the 2011 budgets approved by the Board on June 22, 2010. The budget was prepared in June 2010, prior to the release of the Government Transfers standard, which was released in March 2011. As a result, there are some changes in how the DCC is included into income is calculated for the Financial Statements, versus for the budget. This includes the treatment of sinking fund interest and other components. The chart below reconciles the approved budget to the budget figures reported in the Consolidated Statement of Operations. Where amounts were not budgeted for, the actual amounts for 2011 were used in order to adjust the budget numbers to reflect the same basis of accounting as that used to report the actual results.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

17. Budget Data (continued):

As boards only budget the Statement of Operations, the budget figures in the Consolidated Statement of Change in Net Debt have not been provided.

Consolidated Statement of Operations (Unaudited) for the year ended August 31			
	2010 – 2011 Budget	Change	Restated 2010 – 2011 Budget
Revenue:			
Total revenue as in the 2010 – 2011 budget	\$ 337,181,853		
Deduct: Adjustment due to adoption of government transfer standard (note 1(a))		\$ (274,359)	
Total revenue	337,181,853	(274,359)	\$ 336,907,494
Total expenses	338,782,556	-	338,782,556
Annual surplus (deficit)	(1,600,703)	(274,359)	(1,875,062)
Accumulated surplus, beginning of year	(14,650,902)	28,273,039	13,622,137
Accumulated surplus, end of year	\$ (16,251,605)	\$ 27,998,680	\$ 11,747,075

18. Service de Transport de Wellington Dufferin Student Transportation Services (“STWDSTS”):

On February 9, 2011, STWDSTS was incorporated. On August 18, 2008, the Board entered into an agreement with Conseil scolaire de district catholique Centre-Sud, Conseil scolaire de district du Centre-Sud-Ouest, Dufferin-Peel Catholic District School Board, and Wellington Catholic 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 Boards. Under the agreement created at the time STWDSTS was established, decisions related to the financial and operating activities of STWDSTS are shared. No partner is in a position to exercise unilateral control.

This entity is proportionately consolidated in the Board’s consolidated financial statements whereby the Board’s pro-rata share of assets, liabilities, revenues and expenses of the consortium are included in the Board’s consolidated financial statements. Inter-organizational transactions and balances have been eliminated.

UPPER GRAND DISTRICT SCHOOL BOARD

Notes to Consolidated Financial Statements, continued

Year ended August 31, 2011

18. Service de Transport de Wellington Dufferin Student Transportation Services (“STWDSTS”) (continued):

The following provides condensed financial information:

	2011		2010	
	Total	Board Portion	Total	Board Portion
Financial Position:				
Financial assets	\$ 363,540	\$ 259,492	\$ -	\$ -
Liabilities	411,163	293,485	-	-
Non-financial assets	-	-	-	-
Accumulated deficit	\$ (47,623)	\$ (33,993)	\$ -	\$ -

	2011		2010	
	Total	Board Portion	Total	Board Portion
Operations:				
Revenue	\$ 827,076	\$ 590,360	\$ 742,201	\$ 482,431
Operating expenses	874,699	624,353	742,201	482,431
Net expenditures	(47,623)	(33,993)	-	-
Increase in non-financial assets	-	-	-	-
Change in net liabilities	\$ (47,623)	\$ (33,993)	\$ -	\$ -

19. Repayment of “55 School Board Trust” Funding:

On June 1, 2003, the Board received \$11,377,073 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.

As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board’s financial position.