



**Finance, Budget and Enrolment Committee
(Special Meeting)
Agenda**

FBEC:002A

Monday, January 29, 2024

4:30 p.m.

Boardroom, Main Floor, 5050 Yonge Street, Toronto

Trustee Members

Zakir Patel (Chair), Michelle Aarts, Matias de Dovitiis, Liban Hassan, Shelley Laskin, James Li,
Dan MacLean

The purpose of the meeting is to consider the 2024-2025 financial projection

Pages

1. **Call to Order and Acknowledgement of Traditional Lands**
2. **Declarations of Possible Conflict of Interest**
3. **Delegations**
To be presented
4. **Staff Reports**
 - 4.1 2022-23 Annual Report: Reconciliation of Prior Year Actual Results to Budget [4652] 1
 - 4.2 Projected 2024-25 Financial Position [4540] 43
5. **Adjournment**

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2022-23 Annual Report: Reconciliation of Prior Year Actual Results to Budget

To: Special Finance, Budget and Enrolment Committee

Date: 29 January, 2024

Report No.: 01-24-4652

Strategic Directions

- Create a Culture for Student and Staff Well-Being
- Provide Equity of Access to Learning Opportunities for All Students
- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the Update on 2022-23 Financial Position and Reserve Status be received.

Context

The Board's 2022-23 Statement of Financial Position is presented in Appendix A. TDSB has an in-year deficit of \$48.2M compared to the original estimated in-year deficit of \$40.2M, as approved by Board on 23rd January 2023. The explanation of variances are outlined in the notes in Appendix A.

The Board working funds have been depleted since 2021-22 which are general funds to support contingencies the Board experiences. In Appendix B is an outline of ending available reserves available to support the operational needs of the Board. Currently staff are projecting a deficit in 2023-24 of \$15.3M, which will result in a remaining balance of \$13.8M to support future Board activities.

The 2022-23 audited financial statements were presented to the Audit Committee on December 4, 2023. A copy of the financial statements is provided in Appendix C.

Action Plan and Associated Timeline

N/A

Resource Implications

The limited reserves and their intended use leave the Board limited options should there be budget pressures in future years. Prudent financial management would recommend that a school board have 1 to 2% reserves to offset unforeseen contingencies.

Communications Considerations

The report will be posted on the TDSB budget website as information supporting the development of the budget..

Board Policy and Procedure Reference(s)

N/A

Appendices

- Appendix A: 2022-23 Statement of Year-End Financial Position
- Appendix B: 2022-23 Status of Working Funds Reserves
- Appendix C: 2022-23 Audited Financial Statements

From

Stacey Zucker, Associate Director, Modernization and Strategic Resource Alignment at Stacey.Zucker@tdsb.on.ca or at 416-397-3188

Craig Snider, Executive Officer Finance, at Craig.Snider@tdsb.on.ca and 416 395 8469

2022-23 Year End Financial Position (\$ Millions)			
Type	Description	Amount	Notes
		\$	\$
Budgeted In-Year Operating Results - (Deficit)			(40.2)
Increases in Revenue			
	Special Incident Portion (SIP) grant	9.3	2
	Transportation grant	3.0	3
	Interest revenue	13.8	4
	Subtotal		26.1
Increases in Costs			
	Staffing costs	(13.1)	5
	Employee future benefits	(9.8)	6
	Renewal related costs	(6.0)	7
	School operations	(5.0)	8
	Other	(0.2)	
	Subtotal		(34.1)
Actual In-Year Operating Deficit			(48.2)

NOTES

- 1 This number represents the projected 2022-23 deficit.
- 2 The Ministry extended the deadline for TDSB to allow staff to ensure that all eligible costs were recovered.
- 3 The fuel escalation portion of the transportation grant increased as a result of increased fuel costs.
- 4 Interest rates continued to increase in 2022-23. Therefore, interest revenue was higher than budgeted.
- 5 There were a number of reasons for increased costs over budget related to staffing:
 - a The actual qualifications and experience of teachers resulted in increased grants.
 - b Funds that were carried forward from previous years were applied to costs in the current year.
 - c Replacement costs for staff who were off continue to increase and were higher than the increased budget for 2022-23.
 - d Each year, TDSB has a budget for "gapping". Sometimes a person leaves the organization and they are not replaced right away. This results in savings referred to as "gapping". The gapping savings were not as high as budgeted for in 2022-23.
 - e When a reduction in staffing is made through the budget, the reduction is usually made through attrition. In 2022-23, the savings identified as a reduction in staffing were not realized as a result of not as many people leaving the organization as expected.
- 6 This amount is an actuarial calculation that is done at year end. It is higher than budgeted as a result of increased claims and as a result of increased interest rates.
- 7 Renewal costs are usually covered by the renewal grant. However, there is only a portion of the grant that can fund non-capital related costs. As a result of inflation, staff absenteeism and increased urgent renewal needs, \$6 million of renewal related expenditures must be included as operating costs.
- 8 School operations represent the costs to operate school buildings. There a number of reasons for this increase over budget:
 - a There were savings in utilities over budget which decreased the impact of the increased costs.
 - b Staff absenteeism and unfilled jobs result in some projects being contracted out.
 - c Inflation has resulted in a significant increase in cost of supplies compared to budget.

Status of Working Funds Reserves

Reserves (in \$ millions)	Actual Reserves as of August 31, 2023	2023-24 Projected use of reserves	Estimated Reserves, as of August 31, 2024
Working funds Reserve	-	-	-
Benefit Funds on Deposit	9.4	(9.0)	0.4
School Support	16.0	(6.3)	9.7
Environmental Legacy / Artificial Turf Funds	3.7	-	3.7
Total Internally Appropriated	29.1	(15.3)	13.8
Sinking Fund Interest (restricted)	11.4	-	11.4
Total working funds and internally restricted funds	40.5	(15.3)	25.2

APPENDIX C

**Consolidated financial statements of
Toronto District School Board**

August 31, 2023

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Management Report

Year ended August 31, 2023

Re: Management's Responsibility for the Consolidated Financial Statements

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

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

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

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

January 5, 2024

Handwritten signature of Colleen Russell-Rawlins in black ink.

Colleen Russell-Rawlins
Director of Education

Handwritten signature of Stacey Zucker in black ink.

Stacey Zucker
Associate Director,
Modernization and Strategic Resource Alignment

Independent Auditor's Report

To the Board of Trustees of
Toronto District School Board

Opinion

We have audited the consolidated financial statements of Toronto District School Board (the "Board"), which comprise the consolidated statement of financial position as at August 31, 2023, and the consolidated statements of operations, change in net debt, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Board for the year ended August 31, 2023 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1(a) to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1(a) of 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. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Board to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
January 10, 2024

Toronto District School Board
Consolidated statement of financial position

As at August 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$ (Restated - see Note 2)
Assets			
Financial assets			
Cash and cash equivalents	1(e)	19,800	474,939
Investments	1(f), 3 & 6(a)(ii)	389,413	92,667
Due from City of Toronto		219,476	225,279
Accounts receivable (net of allowance of \$4,946) (\$3,323 in 2022)		74,968	51,295
Accounts receivable - Province of Ontario	4	841,208	590,721
Properties held for sale	5	4,042	—
Restricted cash	21	46	26
		1,548,953	1,434,927
Liabilities			
Short-term borrowing	7	344,000	250,000
Accounts payable and accrued liabilities		368,985	283,635
Due to Province of Ontario		7,578	13,624
Accrued vacation pay		18,265	18,542
Deferred revenue	8	386,161	399,487
Deferred capital contributions	9	2,802,694	2,627,618
Retirement and other employee future benefits payable	6(b)	322,498	317,798
Net long-term debt	12	297,255	319,891
Asset retirement obligations ("ARO")	1(r), 2 & 10	1,073,841	949,548
		5,621,277	5,180,143
Net debt		(4,072,324)	(3,745,216)
Non-financial assets			
Tangible capital assets including asset retirement obligations	2 & 13	3,267,379	2,988,005
Prepaid expenses and supplies		30,696	25,248
		3,298,075	3,013,253
Accumulated deficit	14	(774,249)	(731,963)

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

Approved by the Board


_____, Director of Education


_____, Chair of the Board

Toronto District School Board
Consolidated statement of operations
 Year ended August 31, 2023
 (In thousands of dollars)

	Notes	Budget \$	2023 \$	2022 \$
		(See Note 22)		(Restated - see Note 2)
Revenue				
Grants for Student Needs				
Provincial Legislative Grants	18	1,317,311	1,391,959	1,264,665
Education Property Tax	18	1,625,883	1,645,678	1,624,869
Provincial Grants - Other		47,912	84,889	156,515
Federal grants and fees		21,000	22,473	23,684
Other fees and revenues		113,646	135,130	100,419
School fundraising		10,000	32,954	13,473
Amortization of deferred capital contributions	9	253,465	263,668	228,881
		3,389,217	3,576,751	3,412,506
Expenses				
Instruction	17	2,594,941	2,690,761	2,652,254
Administration		81,581	86,797	86,634
Transportation		65,693	68,485	64,479
School operations and maintenance		346,639	359,241	355,650
Pupil accommodation		326,014	348,783	305,682
Other programs		6,638	33,559	45,746
School funded activities		10,000	31,411	13,696
		3,431,506	3,619,037	3,524,141
Annual deficit		(42,289)	(42,286)	(111,635)
Accumulated (deficit) surplus, beginning of year, as previously reported		(19,259)	(19,259)	68,851
Adjustment on first time adoption of PS 3280	2	(712,704)	(712,704)	(689,179)
Accumulated deficit, beginning of year, as adjusted	2	(731,963)	(731,963)	(620,328)
Accumulated deficit, end of year		(774,252)	(774,249)	(731,963)

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

Toronto District School Board
Consolidated statement of change in net debt
Year ended August 31, 2023
(In thousands of dollars)

	Notes	2023 \$	2022 \$
			(Restated - see Note 2)
Annual deficit		(42,286)	(111,635)
Acquisition of tangible capital assets (including ARO)	13	(441,614)	(332,119)
Revaluation of TCA-ARO due to inflation	13	(131,768)	—
Amortization of tangible capital assets	13	289,966	253,834
Net book value of tangible capital asset disposals	13	—	627
Net book value of tangible capital assets reclassified to/(from) properties held for sale during the year	5	4,042	—
		(321,660)	(189,293)
Acquisition of inventories of supplies		(11,886)	(9,454)
Acquisition of prepaid expenses		(17,243)	(11,972)
Consumption of inventories of supplies		10,409	9,472
Use of prepaid expenses		13,272	12,313
Change in net debt		(327,108)	(188,934)
Net debt, beginning of year, as previously reported		(2,795,668)	(2,606,734)
Adjustment on first time adoption of PS 3280	2	(949,548)	(949,548)
Net debt, beginning of year, as adjusted	2	(3,745,216)	(3,556,282)
Net debt, end of year		(4,072,324)	(3,745,216)

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

Toronto District School Board
Consolidated statement of cash flows
Year ended August 31, 2023
(In thousands of dollars)

	Notes	2023	2022
		\$	\$
			(Restated - see Note 2)
Operating activities			
Annual deficit		(42,286)	(111,635)
Items not involving cash			
Amortization of tangible capital assets	13	289,966	253,834
Revaluation of TCA-ARO due to inflation		1,278	—
Net book value of tangible capital assets reclassified (to)/from properties held for sale during the year (excluding land)	5	(2,870)	2,032
Settlement of asset retirement liability - abatement		(8,753)	—
Deferred capital contributions recognized	9	(263,668)	(228,881)
Changes in non-cash assets and liabilities			
Due from City of Toronto		5,803	10,621
Accounts receivable		(23,673)	(9,218)
Accounts receivable - Province of Ontario			—
Operating		(201,129)	72,581
Prepaid expenses and supplies		(5,448)	359
Accounts payable and accrued liabilities and accrued vacation pay		85,073	16,689
Due to Province of Ontario		(6,046)	(8,112)
Deferred revenues - Operating		3,045	11,571
Retirement and other employee future benefits payable		4,700	(9,339)
		(164,008)	502
Capital activity			
Acquisition of tangible capital assets	13	(441,614)	(332,119)
Investing activity			
Net (acquisition) redemption of investments		(296,746)	16,998
Financing activities			
Capital grant contributions	9	441,614	332,118
Deferred revenue - Capital		(16,371)	151,885
Accounts receivable - Province of Ontario Capital		(49,358)	(52,102)
Short-term borrowing - net		94,000	13,000
Long-term debt repayments		(22,636)	(21,609)
Increase in restricted cash	21	(20)	—
		447,229	423,292
Net (decrease) increase in cash		(455,139)	108,673
Cash, beginning of year		474,939	366,266
Cash, end of year		19,800	474,939

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies

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

Significant accounting policies adopted are as follows:

(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 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. A directive was provided by the Ontario Ministry of Education within memorandum 2004:B2 requiring school boards to adopt Canadian public sector accounting standards commencing with their year ended August 31, 2004 and that changes may be required to the application of these standards as a result of regulation.

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

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

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

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

(b) Reporting entity

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

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023
(In thousands of dollars)

1. Significant accounting policies (continued)

(b) Reporting entity (continued)

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

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

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

(c) Trust funds

Trust funds and their related operations administered by the Board amounting to \$12.68 million (\$12.57 million in 2022) are not included in the consolidated financial statements.

(d) Financial instruments

Financial instruments are classified into three categories: fair value, amortized cost or cost. The following chart shows the measurement method for each type of financial instrument.

Financial Instrument	Measurement Method
Portfolio investment in bonds and treasury bills	Amortized cost
Guaranteed Investment Certificates	Amortized cost
Cash and cash equivalents	Cost
Due from City of Toronto	Cost
Accounts receivable	Cost
Short-term borrowing	Cost
Accounts payable and accrued liabilities	Cost
Accrued vacation pay	Cost

Amortized cost: Amounts are measured using the effective interest rate method. The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, based on the effective interest rate. It is applied to financial assets or financial liabilities that are not in the fair value category and is now the method that must be used to calculate amortized cost.

Cost category: Amounts are measured at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies (continued)

(d) Financial instruments (continued)

Establishing fair value

The fair value of guarantees and letters of credit are based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reported borrowing date. In situations in which there is no market for these guarantees, and they were issued without explicit costs, it is not practicable to determine their fair value with sufficient reliability.

Fair value hierarchy

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – fair value measurements are those derived from valuation techniques that include I inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(e) Cash and cash equivalents

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

(f) Investments

Portfolio investments are investments in organizations that do not form part of the government reporting entity. These are normally in equity instruments or debt instruments issued by the investee. Portfolio investments in equity instruments that are quoted in an active market must be recorded at fair value. Unrealized gains and losses are recorded in the Consolidated Statement of Remeasurement Gains and Losses.

Since school boards are generally not allowed to hold stocks, mutual funds or other equity instruments per Ontario Regulation 41/10: Board Borrowing, Investing and Other Financial Matters, the Board does not have equity instruments that are quoted in an active market that must be recorded at fair value, and has not included a Consolidated Statement of Remeasurement Gains and Losses in these consolidated financial statements.

The Board holds Guaranteed Investment Certificates (GICs) and portfolio investments in bonds and treasury bills, which are recorded at amortized cost.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies (continued)

(g) Deferred revenue (continued)

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

(h) Deferred capital contributions

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

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

(i) Retirement and other employee future benefits

As part of ratified labour collective agreements for employees that bargain centrally and ratified central discussions, a number of Employee Life and Health Trusts (ELHTs) were established: The ELHTs provide health, dental care, life and accidental death and dismemberment insurance coverage to eligible employees. These benefits are being provided through a joint governance structure between the bargaining/employee groups, school board trustees associations and the Government of Ontario.

The Board's employees belong to the following ELHTs:

- Elementary Teachers' Federation of Ontario (ETFO);
- Ontario Secondary School Teachers' Federation (OSSTF);
- OSSTF Education Workers (OSSTF EW);
- Canadian Union of Public Employees (CUPE);
- Ontario Council of Education Workers (OCEW) (which includes Maintenance & Construction Skilled Trades Council (MCSTC));
- Non-unionized employees; and
- Principals and Vice Principals.

The Board is no longer responsible to provide certain benefits to employees who are part of the ELHTs.

Funding for the ELHTs is based on the existing benefits funding embedded within the Grants for Student Needs (GSN), additional ministry funding in the form of a Crown contribution and Stabilization Adjustment. School boards are required to remit the negotiated amount per full-time equivalency (FTE) on a monthly basis.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies (continued)

(j) Defined retirement and other future benefits

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, gratuity, long-term disability and workers' compensation.

The Board has adopted the following policies with respect to accounting for these employee benefits:

The costs of self-insured retirement and other employee future benefit plans are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, insurance and health care cost trends, disability recovery rates, long-term inflation rates and discount rates.

- (i) The cost of retirement gratuities is 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, which averages 7.50 (8.30 in 2022) years.
- (ii) For post-retirement benefits, the benefit cost for health care, dental coverage and life insurance coverage is actuarially determined using the projected benefits method to the end of benefits period. Any actuarial gains and losses arising from changes to the discount rate and retiree claim cost assumptions are recognized in the period they arise.
- (iii) For self-insured workers' compensation benefit obligations that arise from specific events that occur from time to time, the cost is recognized immediately in the period the events occur. Actuarial gains and losses that are related to obligations for workers' compensation are recognized immediately in the period they arise.
- (iv) For long-term disability, life insurance and health care benefits for those on disability leave, actuarial gains and losses are amortized over the expected average service life of the employee group, which averages 6.80 (6.50 in 2022) years.
- (v) The Board's contributions to multiemployer defined benefit pension plans, such as the Ontario Municipal Employees Retirement System (OMERS) pensions, are recorded in the period in which they become payable.
- (vi) The costs of insured benefits for active employees reflected in these consolidated financial statements are the Board's portion of insurance premiums owed for coverage of employees during the period.

(k) Tangible capital assets

Tangible capital assets are recorded at historical cost which includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets and legally or contractually required retirement activities. Cost includes overheads directly attributable to construction and development.

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies (continued)

(k) Tangible capital assets (continued)

Tangible capital assets, except land, are amortized on a straight-line basis over their estimated useful life as follows:

Asset class	Estimated useful life
Buildings	40 years
Other buildings	20 years
Portable structures	20 years
Land improvements with finite lives	15 years
First time equipping of schools	10 years
Furniture	10 years
Equipment	5-15 years
Computer hardware	3 years
Computer software	5 years
Vehicles	5-10 years
Leasehold improvements	Over the lease term

Assets under construction and assets that relate to pre-acquisition and pre-construction 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 to prepare the land for sale or servicing. Buildings permanently removed from service cease to be amortized and are recorded at the lower of carrying value and net realizable value. Land and building permanently removed from service that meet the criteria for inventory held for resale are recorded as "properties held for sale" on the consolidated statement of financial position. Those that do not meet these criteria continue to be recorded as part of "tangible capital assets" on the consolidated statement of financial position.

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

(l) Government transfers

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, all eligibility criteria have been met and reasonable estimates of the amount can be made. If government transfers contain stipulations which give rise to a liability, they are deferred and recognized in revenue when the stipulations are met.

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies (continued)

(m) Investment income

Interest and investment income are reported as revenue in the period earned.

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

Interest income includes interest earned on cash balances held with a Canadian Chartered Bank, which accrues interest income at a rate of prime minus 1.45% as at August 31, 2023 (prime minus 1.45% in 2022).

(n) Long-term debt

Long-term debt includes debentures and Ontario Financing Authority ("OFA") loans which were arranged for financing the Board's capital projects or high priority renewal projects.

(o) Education Property tax revenue

Under Canadian Public Sector Accounting Standards, the entity that determines and sets the tax levy records the revenue in the consolidated financial statements, which in the case of the Board, is the Province of Ontario. As a result, education property tax revenue received from the City of Toronto is recorded as part of Grants for Student Needs, under Education Property Tax.

(p) Contributed materials

Contributed materials are recognized by the Board at the date of contribution when a fair value can be reasonably estimated.

(q) Budget figures

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Trustees on June 30, 2022. 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. The budget figures presented have been adjusted to reflect the same accounting policies that were used to prepare the consolidated financial statements.

(r) Use of estimates

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

1. Significant accounting policies (continued)

(r) *Use of estimates (continued)*

There is measurement uncertainty surrounding the estimation of liabilities for asset retirement obligations. These estimates are subject to uncertainty because of several factors including but not limited to incomplete information on the extent of controlled materials used (e.g. asbestos included in inaccessible construction material), indeterminate settlement dates, the allocation of costs between required and discretionary activities and/or change in the discount rate.

2. Adoption of new accounting standards

The Board adopted the following standards concurrently beginning September 1, 2022 prospectively: PS 1201 *Financial Statement Presentation*, PS 2601 *Foreign Currency Translation*, PS 3041 *Portfolio Investments* and PS 3450 *Financial Instruments*.

PS 1201 *Financial Statement Presentation* replaces PS 1200 *Financial Statement Presentation*. This standard establishes general reporting principles and standards for the disclosure of information in government financial statements. The standard introduces the Statement of Remeasurement Gains and Losses separate from the Statement of Operations. Requirements in PS 2601 *Foreign Currency Translation*, PS 3450 *Financial Instruments*, and PS 3041 *Portfolio Investments*, which are required to be adopted at the same time, can give rise to the presentation of gains and losses as remeasurement gains and losses.

PS 2601 *Foreign Currency Translation* replaces PS 2600 *Foreign Currency Translation*. The standard requires monetary assets and liabilities denominated in a foreign currency and non-monetary items denominated in a foreign currency that are reported as fair value, to be adjusted to reflect the exchange rates in effect at the financial statement date. Unrealized gains and losses arising from foreign currency changes are presented in the new Consolidated Statement of Remeasurement Gains and Losses.

PS 3041 *Portfolio Investments* replaces PS 3040 *Portfolio Investments*. The standard provides revised guidance on accounting for, and presentation and disclosure of, portfolio investments to conform to PS 3450 *Financial Instruments*. The distinction between temporary and portfolio investments has been removed in the new standard, and upon adoption, PS 3030 *Temporary Investments* no longer applies.

PS 3450 *Financial Instruments* establishes accounting and reporting requirements for all types of financial instruments including derivatives. The standard requires fair value measurement of derivatives and portfolio investments in equity instruments that are quoted in an active market. All other financial instruments will generally be measured at cost or amortized cost. Unrealized gains and losses arising from changes in fair value are presented in the Consolidated Statement of Remeasurement Gains and Losses.

The adoption of these standards had no significant impact on the consolidated financial statements of the Board. Given the immaterial impact, no Consolidated Statement of Remeasurement Gains and Losses has been included in the financial statements in the current year.

PS 3280 Asset Retirement Obligations (ARO)

PS 3280 *Asset Retirement Obligations (ARO)* establishes the accounting and reporting requirements for legal obligations associated with the retirement of tangible capital assets controlled by a government or government organization. A liability for a retirement obligation can apply to tangible capital assets either in productive use or no longer in productive use. This standard was adopted on September 1, 2022, on a modified retroactive basis with prior period restatement as at September 1, 2021.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

2. Adoption of new accounting standards (continued)

PS 3280 Asset Retirement Obligations (ARO) (continued)

In the past, the Board has reported its obligations related to the retirement of tangible capital assets in the period when the asset was retired directly as an expense. The new standard requires the recognition of a liability for legal obligations that exist as a result of the acquisition, construction or development of a tangible capital asset, or that result from the normal use of the asset when the asset is recorded, and replaces Section PS 3270 *Solid Waste Landfill Closure and Post-Closure Liability* (PS 3270). Such obligation justifies recognition of a liability and can result from existing legislation, regulation, agreement, contract, or that is based on a promise and an expectation of performance. The estimate of the liability includes costs directly attributable to asset retirement activities. Costs include post-retirement operation, maintenance, and monitoring that are an integral part of the retirement of the tangible capital asset (if applicable). When recording an asset retirement obligation, the estimated retirement costs are capitalized to the carrying value of the associated assets and amortized over the asset's estimated remaining useful life. The amortization of the asset retirement costs follows the same method of amortization as the associated tangible capital asset.

A significant part of asset retirement obligations results from the removal and disposal of designated substances such as asbestos from board buildings. The Board reports liabilities related to the legal obligations where the board is obligated to incur costs to retire a tangible capital asset.

The Board's ongoing efforts to assess the extent to which designated substances exist in board assets, and new information obtained through regular maintenance and renewal of board assets may result in additional asset retirement obligations from better information on the nature and extent the substance exists or from changes to in the estimated cost to fulfil the obligation. The measurement of asset retirement obligations is also impacted by activities that occurred to settle all or part of the obligation, or any changes in the legal obligation. Revisions to the estimated cost of the obligation will result in to the carrying amount of the associated assets that are in productive use and amortized as part of the asset on an ongoing basis. When obligations have reliable cash flow projections, the liability may be estimated using the present value of future cash flows. Subsequently, accretion of the discounted liability due to the passage of time is recorded as an in-year expense (if applicable).

As a result of applying this accounting standard, an asset retirement obligation of \$1,073.84 million (\$949.55 million in 2022) was recognized as a liability in the Consolidated Statement of Financial Position. These obligations represent estimated retirement costs for the board owned buildings and equipment, including tanks, and restoration costs related to leasehold improvements. The Board has restated the prior period based on a simplified approach, using the ARO liabilities, ARO assets and the associated ARO accumulated amortization, amortization expense for the period September 1, 2022 to August 31, 2023 as a proxy for September 1, 2021 to August 31, 2022 information. The associated deferred capital contribution (DCC), DCC revenue, tangible capital asset (TCA) gross book value, TCA accumulated amortization and TCA amortization expense were not restated.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

2. Adoption of new accounting standards (continued)

PS 3280 Asset Retirement Obligations (ARO) (continued)

The adoption of PS 3280 ARO was applied to the comparative period as follows:

	As previously reported	Adjustments	2022 As restated
	\$	\$	\$
Consolidated statement of financial position			
Tangible capital assets including ARO	2,751,161	236,844	2,988,005
Asset retirement obligation liability	—	(949,548)	(949,548)
Accumulated surplus as at August 31, 2022	<u>(19,259)</u>	<u>(712,704)</u>	<u>(731,963)</u>
Consolidated statement of change in net debt			
Net debt as at September 1, 2021	(2,606,734)	(949,548)	(3,556,282)
Change in net debt	(188,934)	—	(188,934)
Net debt as at August 31, 2022	<u>(2,795,668)</u>	<u>(949,548)</u>	<u>(3,745,216)</u>
Consolidated statement of operations			
Accumulated surplus (deficit) as at September 1, 2021	68,851	(689,179)	(620,328)
Amortization of TCA including ARO	(230,309)	(23,525)	(253,834)
Annual deficit	<u>(88,110)</u>	<u>(23,525)</u>	<u>(111,635)</u>

Amortization of TCA (including TCA-ARO) is categorized as pupil accommodation expense on the Consolidated statement of operations.

3. Investments

Investments consists of \$300.0 million in GICs (nil in 2022) and \$89.41 million (\$92.67 million in 2022) of portfolio investments in bonds and treasury bills recorded at amortized cost. Portfolio investments consist of Federal, Municipal, Provincial and Fixed income corporate Government bonds with varying maturities and interest rates, and are managed as a portfolio.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

3. Investments (continued)

GIC investments as at August 31, 2023 consist of the following:

2023	Issue date	Maturity date	Interest rate	Principal amount
GIC 1	December 2022	December 2023	5.50%	\$100 million
GIC 2	January 2023	January 2033	10% in year 1, there after CDOR plus 0.8%	\$150 million
GIC 3	January 2024	January 2034	10.5 % in year 1, there after CDOR plus 0.6% (capped at 7.25%)	\$50 million

4. Accounts receivable – Province of Ontario

The accounts receivable from the Province of Ontario are comprised primarily of amounts related to capital grants in the amount of \$561.37 million (\$515.97 million as at August 31, 2022) and delayed capital grant payments of \$232.71 million (\$74.00 million as at August 31, 2022).

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

Effective September 1, 2018, the Ministry of Education ("Ministry") introduced a cash management strategy. As part of the strategy, the Ministry delays part of the grant payment to school boards where the adjusted accumulated surplus and deferred revenue balances are in excess of certain criteria set out by the Ministry.

5. Properties held for sale

As of August 31, 2023, \$4.04 million (nil in 2022) related to buildings and nil (nil in 2022) related to land were recorded as properties held for sale. The asset held for sale includes an amount relating to the cost of asset retirement obligations of \$1.17 million (nil in 2022). No properties from this asset category were sold in 2023 (\$2.03 million in 2022).

No proceeds (\$151.50 million in 2022) from the sale of properties held for sale have been used to fund in-year capital projects, as well as nil (\$3.56 million in 2022) recognized as revenue mainly to fund sale costs with an amount remaining in deferred revenue of \$299.53 million (\$318.81 million in 2022), in accordance with Ontario Regulation 193/10.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

6. Retirement and other employee future benefits

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

Pension benefits

(i) *Supplementary War Veterans Allowance*

The Supplementary War Veterans Allowance Plan (the "Plan") consists of allowances to be paid to retired employees of the former Board of Education for the City of Toronto. The Plan is closed to new members. The Plan includes survivor benefits of 66 2/3% for the surviving spouse. The pension is subject to indexing at 100% of the increase in CPI. This Plan is unfunded. The benefit costs and liability related to this plan are recorded in the Board's consolidated financial statements.

Retirement benefits

(i) *Sick leave credit gratuities*

The Board provides retirement sick leave credit gratuities to certain groups of employees hired prior to specific dates. The Board provides these benefits through an unfunded defined benefit plan. The benefit costs and liabilities related to this plan are recorded in the Board's consolidated financial statements. The amount of the gratuities payable to eligible employees at retirement is based on their salary, accumulated sick days, and years of service at August 31, 2012.

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

All of the Board's benefit plans for active employees have transitioned to provincial ELHTs. As a result, the Board is no longer providing benefits to employees who retired after the transition dates. The Board, however, continues to provide health and dental benefits to ETFO, OSSTF, OSSTF EW, CUPE, and OCEW (which includes MCSTC) members who were enrolled in the Board's retiree benefit plans prior to the transition dates.

For the retired, non-unionized Senior team members and/or designated executives who were transitioned to their applicable ELHTs, former Board cost arrangements were maintained.

Employees who retired after the transition dates are not eligible to participate in the ELHT benefit programs, with the exception of Senior Officials, who were eligible to participate in the retiree benefit plans until August 12, 2021. Eligible Senior Officials who retired on or before August 12, 2021 are entitled to the core health and dental coverage to age 65 with board paying 100% of the premium rates for health and 90% for dental.

Other benefits

(i) *Workplace safety and insurance board obligations*

The Board is a Schedule II employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for the payment of all claims to its injured workers under the Act. The Board does not fund these obligations in advance of payments made under the Act. The benefit costs and actuarially determined liabilities related to this plan based on management's best estimate are recorded in the Board's consolidated financial statements. Plan changes made in 2012 require school boards to provide salary top-up to a maximum of 4 ½ years for employees receiving payments from the Workplace Safety and Insurance Board, where the collective agreement negotiated prior to 2012 included such a provision.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

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

Other benefits (continued)

(ii) *Long-term disability benefits*

The Board provides long-term disability insurance coverage for non-teaching employees. The benefit costs and actuarially determined liabilities related to this plan are included in the Board's consolidated financial statements. The long-term disability income benefit is event driven, and the Board's obligation is based on existing employees on long-term disability as at August 31, 2023.

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

Effective August 31, 2018, there are no active employee groups remaining for which the Board is responsible for providing health, dental and life insurance benefits.

\$9.40 million (\$29.40 million in 2022) of investments are held as internally restricted reserves to cover reduced Board premiums otherwise required by the long-term disability plan.

(iii) *Sick leave top up benefits*

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

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

	Pension benefits	Retirement benefits	Other benefits	2023 Total
	\$	\$	\$	\$
Unfunded accrued benefit obligation	836	156,467	198,015	355,318
Unamortized net actuarial losses	—	(7,551)	(25,269)	(32,820)
Accrued benefit liability	836	148,916	172,746	322,498
	Pension benefits	Retirement benefits	Other benefits	2022 Total
	\$	\$	\$	\$
Unfunded accrued benefit obligation	1,044	169,394	188,980	359,418
Unamortized net actuarial losses	—	(13,260)	(28,360)	(41,620)
Accrued benefit liability	1,044	156,134	160,620	317,798

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

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

	Pension benefits	Retirement benefits	Other benefits	2023 Total
	\$	\$	\$	\$
Current year benefit costs	—	—	40,123	40,123
Interest on accrued benefit obligation	36	6,288	6,821	13,145
Cost of plan amendments	—	45	—	45
Net amortization of actuarial (gain) / loss	(22)	2,770	4,544	7,292
Employee future benefits expenses	14	9,103	51,488	60,605
	Pension benefits	Retirement benefits	Other benefits	2022 Total
	\$	\$	\$	\$
Current year benefit costs	—	—	28,603	28,603
Interest on accrued benefit obligation	22	3,471	3,149	6,642
Net amortization of actuarial (gain) / loss	(88)	4,775	7,798	12,485
Employee future benefits expenses	(66)	8,246	39,550	47,730

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

The amount of benefits paid during the year were \$0.22 million (\$0.20 million in 2022) for pension benefits, \$16.32 million (\$20.13 million in 2022) for retirement benefits, and \$39.36 million (\$36.74 million in 2022) for other employee future benefits.

(d) *Actuarial assumptions*

The accrued benefit obligations for the retirement and employee future benefit plans are based on the most recent actuarial valuation for accounting purposes completed as at August 31, 2023.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

(d) Actuarial assumptions (continued)

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

	2023	2022
	%	%
Estimated inflation		
Health	5.00	5.00
Dental	5.00	5.00
War veterans	3.00	6.00
WSIB	2.50	2.70
LTDI	6.00	6.00
Wages and salary increases	2.00	2.00
Discount on accrued benefit obligations	4.40	3.90

(e) Multi-employer pension plans

(i) Ontario Teachers’ Pension Plan

Employees who are Teacher-certified, regardless of the capacity in which they work, are required to be members of Ontario Teachers’ Pension Plan, a multi-employer pension plan. Employer contributions for these employees are provided directly by the Province of Ontario. The pension costs and obligations related to this plan are a direct responsibility of the Province. Accordingly, no costs or liabilities related to this plan are included in the Board’s consolidated financial statements.

(ii) Ontario Municipal Employees Retirement System (OMERS)

Non-teaching employees of the Board are eligible to be members of OMERS, a multi-employer pension plan (the “Plan”). The Plan provides defined pension benefits to employees based on their length of service and rates of pay. The Board’s contributions equal the employees’ contributions to the Plan. During the year ended August 31, 2023, the Board contributed \$56.68 million (\$55.27 million in 2022) to the Plan. As this is a multi-employer pension plan, these contributions are the Board’s pension benefit expenses and are included in the respective expense categories on the consolidated statement of operations. No pension liability for this type of plan is included in the Board’s consolidated statement of financial position.

Each year, an independent actuary determines the funding status of OMERS Primary Pension by comparing the actuarial value of the invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted as at December 31, 2022. The results of this valuation disclosed total actuarial liabilities as at that date of \$130.30 billion (\$120.80 billion as at December 31, 2021) in respect of benefits accrued for service with actuarial assets as at that date of \$123.63 billion (\$117.67 billion as at December 31, 2021) indicating an actuarial deficit of \$6.68 billion (\$3.13 billion as at December 31, 2021). Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employers. As a result, the Board does not recognize any share of the OMERS pension deficit.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023
(In thousands of dollars)

6. Retirement and other employee future benefits (continued)

(f) Health and dental

The Board is still responsible for providing coverage to some retiree employee groups until they transition to their applicable ELHT. Funds to cover these benefits are held with Manulife. The current liabilities for the health and dental plans for these employee groups is in the amount of \$0.46 million (\$4.68 million as at August 31, 2022). These funds primarily cover estimated current period claims yet to be submitted by employees.

7. Short-term borrowing

	2023	2022
	\$	\$
92 day Bankers Acceptances bearing interest at 6.25% (4.21% in 2022) maturing on October 24, 2023 (October 25, 2022 in 2022)	344,000	250,000

The Board has a \$600 million credit facility with a Canadian chartered bank for operating and capital improvement purposes. The amount outstanding as at August 31, 2023 was \$344 million (\$250 million in 2022) and was used to support the Board’s capital projects. Upon maturity on October 24, 2023, the credit facility was renewed at an amount of \$350 million, with a new maturity date of January 24, 2024.

In addition, the Board has outstanding letters of credit in the amount of \$2.26 million as at August 31, 2023 (\$3.66 million as at August 31, 2022).

The Ministry funds the interest cost incurred on the short-term borrowing. For Ministry arranged permanent financing under a long-term financing arrangement see Note 12 I, (d), (e), (f), (g), (h), (i), (j) and (k).

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

8. Deferred revenue

The continuity of deferred revenue including those set aside for specific purposes by legislation, regulation or agreement as at August 31, 2023 is as follows:

	Balance, August 31, 2022 \$	Externally restricted revenue and investment income \$	Revenue recognized during the year \$	Transfer to deferred capital contributions \$	Balance, August 31, 2023 \$
Special Education	7,692	355,042	(355,057)	—	7,677
Other Ministry of Education grants	14,223	82,296	(84,462)	—	12,057
Other Provincial grants	3,898	29,077	(29,061)	—	3,914
Tuition fees	17,560	25,033	(18,578)	—	24,015
Other (operating)	11,431	36,515	(37,761)	—	10,185
Minor tangible capital assets	—	75,099	(53,317)	(21,782)	—
School renewal	15,413	46,593	(31,618)	(12,530)	17,858
Experiential Learning	1,818	5,470	(6,018)	(101)	1,169
Temporary accommodation	—	318	(1)	(317)	—
Retrofitting school space for child care	1,426	—	(2)	(43)	1,381
Renewable energy	196	—	—	—	196
Proceeds of disposition	318,813	—	(2,623)	(16,659)	299,531
Properties held for sale	—	2,870	—	—	2,870
Developer contributions (Note 21)	509	—	—	(462)	47
Other	6,508	35,996	(921)	(36,322)	5,261
	399,487	694,309	(619,419)	(88,216)	386,161

9. Deferred capital contributions

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

	2023 \$	2022 \$
Balance, beginning of year	2,627,618	2,525,008
Additions to deferred capital contributions	441,614	332,118
Revenue recognized in the period	(263,668)	(228,881)
Write-offs due to tangible capital asset disposals	—	(627)
Net transfers from deferred revenue relating to properties held for sale	(2,870)	—
Balance, end of year	2,802,694	2,627,618

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023
(In thousands of dollars)

10. Asset retirement obligations

The Board has adopted PS 3280 with an effective date of September 1, 2022 on a modified retrospective basis, with a retrospective restatement of prior year amounts as at September 1, 2021.

The Board discounts significant obligations where there is a high degree of confidence on the amount and timing of cash flows and the obligation will not be settled for at least five years from the reporting date. The discount and inflation rate is reflective of the risks specific to the asset retirement liability.

As of August 31, 2023, all liabilities for asset retirement obligations are reported at current costs in nominal dollars without discounting.

A reconciliation of the beginning and ending aggregate carrying amount of the ARO liability is below:

	2023	2022
	\$	\$
Liabilities for ARO at beginning of year	949,548	—
Adjustment on first time adoption of PS3280	—	949,548
Revaluation of ARO liability due to inflation	133,046	—
Liabilities settled during the year	(8,753)	—
Liabilities for ARO at end of year	1,073,841	949,548

11. Revaluation of asset retirement obligations liability

As a result of recent high levels of inflation, liability balances based on previous cost estimates, the Board has made an inflation adjustment increase in estimates of 14.05% as of March 31, 2023, in line with the Provincial government fiscal year end, to reflect costs as at that date. This rate represents the percentage increase in the Canada Building Construction Price Index (BCPI) survey from October 1, 2021, to September 30, 2022 and is the rate being used to update costs assumptions in the costing models in order to be reflective of March 31, 2023 costs.

The revaluation adjustment has also been added to the Tangible capital assets - Asset retirement obligation to be amortized over the remaining useful life of the underlying asset. No further adjustments were recorded as at August 31, 2023.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

12. Net long-term debt

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

		Interest rate %	Maturity date	2023 \$	2022 \$
Critical renewal debenture	Note 12(b)	5.07	December 17, 2024	4,575	7,440
Ontario Financing Authority	Note 12(c)	4.56	November 15, 2031	50,735	55,524
Ontario Financing Authority	Note 12(d)	4.90	March 3, 2033	55,782	60,126
Ontario Financing Authority	Note 12(e)	5.06	March 13, 2034	51,788	55,306
Ontario Financing Authority	Note 12(f)	5.23	April 13, 2035	34,164	36,188
Ontario Financing Authority	Note 12(g)	4.83	March 11, 2036	31,901	33,662
Ontario Financing Authority	Note 12(h)	3.59	March 9, 2037	16,060	16,946
Ontario Financing Authority	Note 12(i)	3.66	June 25, 2038	27,035	28,354
Ontario Financing Authority	Note 12(j)	4.00	March 11, 2039	13,880	14,498
Ontario Financing Authority	Note 12(k)	2.99	March 9, 2040	11,335	11,847
Balance as at August 31				297,255	319,891

- (b) On December 17, 2004 the Board issued a \$40 million debenture to fund an equivalent amount of major renovation projects. The debenture bears interest at 5.07% and has a 20 year amortization with semi-annual interest and principal payments of \$1.60 million. The annual debt service of \$3.21 million is funded from the annual Facility Renewal Grant.
- (c) On November 15, 2006, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$107.74 million of the Good Places to Learn ("GPL") program. The loan is repayable by semi-annual installments of principal and interest of \$3.63 million based on a 25-year amortization schedule and bears interest of 4.56%. The annual principal and interest costs are funded by the Ministry of Education.
- (d) On March 3, 2008, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$103.24 million (GPL of \$93.92 million and Primary Class Size ("PCS") of \$9.32 million). The loan is repayable by semi-annual installments of principal and interest of \$3.62 million based on a 25-year amortization schedule and bears interest of 4.90%. The annual principal and interest costs are funded by the Ministry of Education.
- (e) On March 13, 2009, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$88.10 million (GPL of \$81.10 million and PCS of \$7 million). The loan is repayable by semi-annual installments of principal and interest of \$3.14 million based on a 25-year amortization schedule and bears interest of 5.06%. The annual principal and interest costs are funded by the Ministry of Education.
- (f) On April 14, 2010, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$53.83 million (GPL of \$51.73 million and PCS of \$2.10 million). The loan is repayable by semi-annual installments of principal and interest of \$1.95 million based on a 25-year amortization schedule and bears interest of 5.23%. The annual principal and interest costs are funded by the Ministry of Education.
- (g) On March 11, 2011, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$48.38 million (GPL of \$33.92 million and PCS of \$14.46 million). The loan is repayable by semi-annual installments of principal and interest of \$1.68 million based on a 25-year amortization schedule and bears interest of 4.83%. The annual principal and interest costs are funded by the Ministry of Education.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

12. Net long-term debt (continued)

- (h) On March 9, 2012, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$24.28 million (GPL of \$23.88 million and PCS of \$0.40 million). The loan is repayable by semi-annual installments of principal and interest of \$0.74 million based on a 25-year amortization schedule and bears interest of 3.59%. The annual principal and interest costs are funded by the Ministry of Education.
- (i) On June 26, 2013, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$37.83 million (GPL of \$21.23 million and Capital Enveloping (ARC) of \$16.60 million). The loan is repayable by semi-annual installments of principal and interest of \$1.17 million based on a 25-year amortization schedule and bears interest of 3.66%. The annual principal and interest costs are funded by the Ministry of Education.
- (j) On March 12, 2014, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$18.66 million (Prohibit to Repair of \$14.06 million and Capital Priority Program of \$4.60 million). The loan is repayable by semi-annual installments of principal and interest of \$0.60 million based on a 25-year amortization schedule and bears interest of 4.00%. The annual principal and interest costs are funded by the Ministry of Education.
- (k) On March 11, 2015, the Board entered into a loan agreement with the Ontario Financing Authority to finance \$15.03 million (Primary Class Size of \$3.60 million and Capital Priority Program of \$11.43 million). The loan is repayable by semi-annual installments of principal and interest of \$0.43 million based on a 25-year amortization schedule and bears interest of 2.99%. The annual principal and interest costs are funded by the Ministry of Education.
- (l) Principal and interest payments relating to net long-term debt of \$384.16 million (\$421.28 million as at August 31, 2022) outstanding as at August 31, 2023 are due as follows:

	Principal payments \$	Interest \$	Total \$
2024	23,716	13,411	37,127
2025	23,243	12,281	35,524
2026	22,702	11,219	33,921
2027	23,773	10,148	33,921
2028	24,895	9,026	33,921
Thereafter	178,926	30,816	209,742
	297,255	86,901	384,156

- (m) Interest on long-term debt amounted to \$14.20 million (\$15.25 million in 2022).

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

13. Tangible capital assets

Opening and closing balances with activities for the year ended August 31, 2023

	Balance at September 1, 2022	Adjustment for PS3280	Openings balance - adjusted	Additions & transfers	Transfer to assets held for sale	Disposals	Revaluation of TCA-ARO	Gross Book Value	
								Balance at August 31, 2023	Balance at August 31, 2023
\$ in 000's									
Land	110,700	—	110,700	—	—	—	—	110,700	—
Land Improvements	287,252	329	287,581	44,140	—	—	46	331,767	46
Buildings (40 Years)	4,585,382	940,124	5,525,506	305,329	—	—	131,722	5,962,557	131,722
Buildings (20 Years)	554	—	554	12	—	—	—	566	—
Portable Structures	44,356	—	44,356	2,489	—	—	—	46,845	—
Construction in Progress (CIP)	79,462	—	79,462	62,884	—	—	—	142,346	—
Equipment (5 Years)	66	—	66	106	—	(7)	—	165	—
Equipment (10 Years)	3,734	—	3,734	954	—	(274)	—	4,414	—
Equipment (15 Years)	5,912	—	5,912	135	—	—	—	6,047	—
First time Equipping (10 Years)	7,637	—	7,637	427	—	(1,594)	—	6,470	—
Furniture (10 Years)	782	—	782	403	—	(88)	—	1,097	—
Computer Hardware	29,175	—	29,175	13,460	—	(5,471)	—	37,164	—
Computer Software	11,150	—	11,150	5,830	—	(1,100)	—	15,880	—
Vehicles (< 10,000 pounds)	2,916	—	2,916	310	—	—	—	3,226	—
Vehicles (> 10,000 pounds)	13,666	—	13,666	1,008	—	—	—	14,674	—
Leasehold improvement - Building	7,487	—	7,487	226	—	—	—	7,713	—
Leasehold improvement - land	1,344	—	1,344	42	—	—	—	1,386	—
Building	8,032	—	8,032	3,859	(11,891)	—	—	—	—
Total	5,199,607	940,453	6,140,060	441,614	(11,891)	(8,534)	131,768	6,693,017	131,768

Toronto District School Board
Notes to the consolidated financial statements
 August 31, 2023
 (In thousands of dollars)

13. Tangible capital assets (continued)

	Balance at September 1, 2022	Adjustment PS3280	Opening balance - adjusted	Amortization and transfers	Transfer to assets held for sale	Accumulated Amortization		Net Book Value
						Disposals, write-offs	Balance at August 31, 2023	
							Balance at August 31, 2023	Balance at August 31, 2022
\$ in 000's								
Land	—	—	—	—	—	—	110,700	110,700
Land Improvements	166,104	118	166,222	13,832	—	—	151,713	121,359
Buildings (40 Years)	2,215,151	703,491	2,918,642	255,743	—	—	2,788,172	2,606,864
Buildings (20 Years)	47	—	47	29	—	—	490	507
Portable Structures	22,639	—	22,639	2,317	—	—	21,889	21,717
Construction in Progress (CIP)	—	—	—	—	—	—	142,346	79,462
Equipment (5 Years)	30	—	30	25	—	(7)	117	36
Equipment (10 Years)	1,826	—	1,826	407	—	(274)	2,455	1,908
Equipment (15 Years)	3,652	—	3,652	239	—	—	2,156	2,260
First time Equipping (10 Years)	4,460	—	4,460	717	—	(1,594)	2,887	3,177
Furniture (10 Years)	366	—	366	87	—	(88)	732	416
Computer Hardware	10,083	—	10,083	10,023	—	(5,471)	22,529	19,092
Computer Software	1,810	—	1,810	2,626	—	(1,100)	12,544	9,340
Vehicles (< 10,000 pounds)	2,530	—	2,530	75	—	—	2,605	386
Vehicles (> 10,000 pounds)	7,600	—	7,600	966	—	—	6,108	6,066
Leasehold improvement - Building	6,254	—	6,254	130	—	—	1,329	1,233
Leasehold improvement - land	732	—	732	63	—	—	591	612
Building	5,162	—	5,162	2,687	(7,849)	—	—	2,870
Total	2,448,446	703,609	3,152,055	289,966	(7,849)	(8,534)	3,267,379	2,988,005

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

13. Tangible capital assets (continued)

(a) *Assets permanently removed from service*

Under the assets permanently removed category, net book value of nil was transferred from regular asset to permanently removed from service during 2022-23 school year (\$2.87 million in 2022).

(b) *Works of art and historic artifacts*

TDSB has an art collection in its possession with an insured value of \$7.40 million (\$7.40 million in 2022). In addition, TDSB also has a number of historic artifacts. In accordance with Canadian public sector accounting standards, these works of art and historic artifacts are not recorded as an asset in these consolidated financial statements.

14. Accumulated (deficit) surplus

Accumulated (deficit) surplus consists of the following:

	2023	2022
	\$	\$
		(Restated - see Note 2)
Accumulated deficit		
Working funds	—	—
Internal reserves and reserve funds	40,546	90,151
Employee future benefits	(210,736)	(233,560)
Interest accrual	(4,081)	(4,335)
School generated funds	20,354	18,812
Capital grants used on land purchases	110,698	110,698
Asset retirement obligation	(730,005)	(712,704)
Liability for contaminated sites	(1,025)	(1,025)
	(774,249)	(731,963)

Internal reserve funds of \$48.20 million were used to support the 2023 deficit.

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

	2023	2022
	\$	\$
Employee benefit plans	9,403	29,403
School support	15,998	44,162
Committed sinking fund interest earned	11,417	12,844
Other	3,728	3,742
	40,546	90,151

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

15. Contractual obligations and commitments

(a) Capital, facility renewals and renovations

The Board's commitments for approved capital and facility renewal programs as at August 31, 2023 amounted to \$274.48 million (\$199.69 million as at August 31, 2022).

(b) Other significant obligations

- (i) The Board awarded contracts for student transportation commencing September 1, 2016 with a term of 6 years with 2 one-year extensions. The estimated annual commitment under these contracts is \$67.50 million (\$67.84 million in 2022).
- (ii) The Board is committed to purchase natural gas including transportation through supply contracts with various expiry dates; the latest contract expires on October 31, 2024. The estimated outstanding costs of these contracts are \$16.01 million (\$28.63 million in 2022).
- (iii) The Board is committed to a Wide Area Network contract for a term of three years with 5 annual one year renewal options up to August 2028. The estimated annual commitment under this contract is \$4.2 million each year (\$4.62 million in 2022).
- (iv) The Board is committed to a Multi-Functional Devices contract which expires in August 2027. The estimated commitment under the contract date is \$1.85 million to \$2.50 million per year depending on print volumes (\$1.85 million to \$2.50 million in 2022).

16. Contingent liabilities

Legal claims

The Board has been named as the defendant in certain legal actions, in which damages have been sought. Any losses arising from these actions are recorded in the year that the related litigation is settled or when any likely amounts are measurable. Where the outcomes of actions are not determinable as at August 31, 2023, no provision is made in the consolidated financial statements.

Pay equity

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023
(In thousands of dollars)

17. Expenses by object

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

	2023	2022
	\$	\$
		(Restated - see Note 2)
Expenses		
Salary and wages	2,439,512	2,424,496
Employee benefits	463,569	438,788
Staff development	2,836	2,468
Supplies and services	170,247	163,395
Interest	31,619	19,849
Rental expenses	13,135	13,202
Fees and contract services	168,363	146,799
Other	8,379	46,987
Amortization of tangible capital assets	289,966	253,834
Loss on disposal of tangible capital assets	—	627
School funded activities	31,411	13,696
	3,619,037	3,524,141

18. Grants for student needs

School boards in Ontario receive the majority of their funding from the provincial government. This funding comes in two forms: provincial legislative grants and local taxation in the form of education property tax. The provincial government sets the education property tax rate. City of Toronto collects and remits education property taxes on behalf of the Province of Ontario. The Province of Ontario provides additional funding up to the level set by the education funding formulas. 92.3 percent (91.4 percent in 2022) of the consolidated revenues of the Board are directly controlled by the provincial government through the grants for student needs. The revenue amounts recognized from this funding, excluding amortization of deferred capital contributions are as follows:

	2023	2022
	\$	\$
Provincial Legislative Grants	1,391,959	1,264,665
Education Property Tax	1,645,678	1,624,869
Grants for Student Needs	3,037,637	2,889,534

19. Repayment of "55 School Board Trust" funding

On June 1, 2003, the Board received \$275.10 million from the "55 School Board Trust" for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered into with the trust. The "55 School Board Trust" was created to refinance the outstanding not permanently financed (NPF) debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the "55 School Board Trust" repaid the board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt.

The flow through of \$20.5 million (\$20.5 million in 2022) in grants in respect of the above agreement for the year ended August 31, 2023, is not recorded in these consolidated financial statements.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

20. Related party disclosures

Related parties of the Board include other school boards and the Ontario Financing Authority. The Ontario Financing Authority is an agency of the Province of Ontario that manages the province’s debt and borrowing program. Please refer to Note 12 for additional disclosure on our borrowing with the Ontario Financing Authority.

Transactions with other school boards include shared cost of facilities and secondment of staff. Amounts of the transactions with other school boards are disclosed as follows:

	2023	2022
	\$	\$
Toronto Catholic District School Board	731,994	1,634
York Catholic District School Board	275,321	—
York Region District School Board	306	—
Hamilton-Wentworth District School Board	—	131

21. Financial contribution agreements

During 2001-2002, the Board established three joint trust accounts with the Toronto Catholic District School Board pertaining to Education Development Levy Agreements. These Agreements pertain to building developments that pre-date the passing of the Education Development Charges provisions of the Education Act. As at August 31, 2023, the total levy amount in these joint trust accounts is \$31.5 million (\$33.7 million in 2022). The Board’s current share of this amount is \$0.05 million (\$0.03 million in 2022) as reflected in the consolidated statement of financial position. The Board’s financial interest in the remaining un-apportioned balance in the joint trust accounts has not been reflected in the consolidated statement of financial position.

The funds in the joint trust accounts must be used for construction of school facilities in specific designated areas of the City of Toronto.

As at August 31, 2023, the joint account was allotted a total of \$40.48 million (\$40.48 million in 2022) for construction of school facilities at Canoe Landing. The Board’s share of actual project costs for Jean Lumb Public School was \$20.81 million (\$20.35 million 2022).

During 2022-23, payments related to construction and furniture and equipment cost for both school boards totalled \$3.77 million (nil in 2022) reflecting the final result of the project cost and related HST rebate with \$4.15 million of which related to HST receivable and \$0.38 million payable to the trust. Of this, \$0.02 million (nil in 2022) represents the Board’s payment of project costs and has been reflected in the Board’s consolidated statement of financial position as follows: \$0.46 million (nil in 2022) has been capitalized for a total of \$20.81 million (\$20.35 in 2022), and \$0.48 million (nil in 2022) has been released from prepaid expenses.

22. 2022-23 Budget Reconciliation

The audited budget data presented in these consolidated financial statements is based upon the 2023 budgets approved by the board. The budget was prepared prior to the implementation of the PS 3280-Assets Retirement Obligations (ARO) standard.

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023
(In thousands of dollars)

22. 2022-23 Budget Reconciliation (continued)

The ARO amortization was not budgeted for 2023. The actual expense of \$23.5 million is included in Pupil Accommodation expense in the Consolidated Statement of Operations.

	2022-23 Budget as approved \$	Adjustments \$	2022-23 Budget as adjusted \$
Revenue	3,389,217	—	3,389,217
Expenses	3,407,981	23,525	3,431,506
Annual deficit	(18,764)	(23,525)	(42,289)
Accumulated deficit at beginning of year, as adjusted	(731,963)	—	(731,963)
Accumulated deficit at end of year, as adjusted	(750,727)	(23,525)	(774,252)

23. Financial instruments

The Board is exposed to a variety of financial risks including credit risk, liquidity risk and market risk. The Board's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Board's financial performance.

Credit risk

The Board's principal financial assets are cash, due from city of Toronto, accounts receivable, investments, which are subject to credit risk. The carrying amounts of financial assets on the Consolidated statement of financial position represent the Board's maximum credit exposure as at the Consolidated statement of financial position date.

Market risk

The Board is exposed to interest rate risk and price risk with regard to its investments, and interest rate risk on its net long-term debt, all of which are regularly monitored.

The Board's financial instruments consist of cash and cash equivalents, investments, accounts receivable, due from City of Toronto, accounts payable and accrued liabilities, accrued vacation pay, short-term borrowing and long-term debt. It is the Board's opinion that the board is not exposed to significant interest rate or currency risks arising from these financial instruments.

24. Transportation agreement

In 2011, the Board entered into an agreement with the Toronto Catholic District School Board 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, decisions related to the financial and operating activities of Toronto Transportation group are shared. No partner is in a position to exercise unilateral control.

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

Toronto District School Board
Notes to the consolidated financial statements

August 31, 2023

(In thousands of dollars)

25. Liability for contaminated sites

As at August 31, 2023, the Board has a liability for contaminated sites of \$1.03 million (\$1.03 million in 2022). The liability relates to contamination at two Board properties that are no longer in productive use, and was estimated based on a baseline phase II environmental site assessment performed by an environmental consulting firm. No recoveries are expected.

26. In-kind transfers from the Ministry of Public and Business Service Delivery

The Board has recorded entries, both revenue and expenses, associated with centrally procured in-kind transfers of personal protective equipment ("PPE") and critical supplies and equipment ("CSE") received from the Ministry of Public and Business Service Delivery ("MPBSD"). The amounts recorded were calculated based on the weighted average cost of the supplies as determined by MPBSD and quantity information based on the Board's records. The in-kind revenue and expenses recorded for these transfers is \$2.10 million (\$41.85 million in 2022).

27. Future accounting standard adoption

The Board is in the process of assessing the impact of the upcoming new standards and the extent of the impact of their adoption on its consolidated financial statements.

Standards applicable for fiscal years beginning on or after April 1, 2023 (in effect for the Board as of September 1, 2023 for the year ending August 31, 2024):

PS 3400 *Revenue* establishes standards on how to account for and report on revenue, specifically differentiating between transactions that include performance obligations (i.e. the payor expects a good or service from the public sector entity), referred to as exchange transactions, and transactions that do not have performance obligations, referred to as non-exchange transactions.

PSG-8 *Purchased Intangibles* provides guidance on the accounting and reporting for purchased intangible assets that are acquired through arm's length exchange transactions between knowledgeable, willing parties that are under no compulsion to act.

PS 3160 *Public Private Partnerships (P3s)* provides specific guidance on the accounting and reporting for public private partnerships between public and private sector entities where the public sector entity procures infrastructure using a private sector partner.

28. Subsequent event: Monetary resolution to Bill 124, The Protecting a Sustainable Public Sector for Future Generations Act

Subsequent to the financial statement date, a monetary resolution to Bill 124 was reached between the Crown and four education sector unions: the Ontario Secondary School Teachers' Federation (OSSTF) Teachers, OSSTF Education Workers, the Elementary Teachers' Federation of Ontario (ETFO) Education Workers and the Canadian Union of Public Employees Ontario School Board Council of Unions (CUPE OSBCU). This agreement provides for a 0.75% increase in salaries and wages for the 2019-20 school year, a 0.75% increase in salaries and wages for the 2020-21 school year, and a minimum of 1.5% to a maximum of 3.25% increase in salaries and wages for the 2021-22 school year, which will be awarded through an arbitration process expected to be completed in the 2023-24 school year.

This agreement includes a provision whereby the Crown has committed to funding this monetary resolution for these employee groups to the applicable school boards consistent with the appropriate changes to the Grants for Student Needs benchmarks.

No other agreements have been reached with other education workers and teachers.

Toronto District School Board
Notes to the consolidated financial statements
August 31, 2023
(In thousands of dollars)

29. Prior period presentation

Certain comparative figures have been reclassified to conform with current year financial statements presentation.



Projected 2024-25 Financial Position

To: Special Finance, Budget and Enrolment Committee

Date: 29 January, 2024

Report No.: 01-24-4540

Strategic Directions

- Provide Equity of Access to Learning Opportunities for All Students
- Allocate Human and Financial Resources Strategically to Support Student Needs

Recommendation

It is recommended that the Projected 2024-25 Financial Position report be received.

Context

At the September 27, 2023 Board Meeting, Trustees approved a budget schedule which outlined a timeline to approve the operating budget of the Board prior to the release of the Grant for Student Needs (GSN). As part of that schedule staff were to present the projected financial position of the Board at a Special Finance, Budget and Enrolment Committee (FBEC) for the 2024-25 school year on January 29, 2024.

In preparing this forecast, staff have used the current funding model and projected enrolments to project grant revenue. The additional significant assumptions that have gone into this forecast are outlined below or in the notes to the financial projection:

Assumptions

- Staffing cost projections include current experience in supply cost and vacancy rates for school-based staff
- Classroom teacher staffing is based on current class size regulations
- Continuation of Priorities and Partnership Funding (PPFs) for staffing
- Removal of one-time staffing increases in 2023-24
- Reinstatement of 1 to 1 device strategy
- Transportation cost increase due to new contract term starting September 2024
- Impact of Bill 124 arbitration unknown currently

Based on these assumptions the following projection has been prepared. Staff will continue to update this projection as additional information becomes available and will provide an update to the forecast at the February 14, 2024 FBEC meeting.

**Toronto District School Board
Projected Financial Position 2024-25**

		\$	% Change year over year**	Notes
2023-24 Deficit - Revised Estimates		(15,300,000)		
GSN Revenue				
Enrolment impact	13,200,000		0.46%	1
ESL enrolment impact	15,200,000		10.21%	2
Increase in GSN Revenue		28,400,000		
Other Revenues Increase/(Decrease)				
Investment Income	(4,700,000)		(18.80%)	3
International Student Fees	1,400,000		5.83%	4
Child Care Lease Revenue	2,000,000		31.56%	5
Other Lease Revenue	300,000		3.00%	
Decrease in Other Revenue		(1,000,000)		
Staffing Costs				
Elementary Teachers	(20,700,000)		(1.81%)	6
Secondary Teachers	(10,000,000)		(2.12%)	7
DECE Staff	900,000		1.37%	8
Increase in Teacher Costs		(29,800,000)		
Other Staffing Savings/(Costs)				
School-based Supply Cost	(8,500,000)		(6.83%)	9
Vice Principals	3,800,000		2.67%	10
School Safety	4,000,000		2.01%	11
Increase in CPP & EI costs	(3,200,000)		(0.14%)	12
FEB - LTD & WSIB	(1,800,000)		(0.08%)	13
Self-Funded Leave (X over Y)	(500,000)		(0.11%)	
Increase in Other Staffing Costs		(6,200,000)		
Other Savings/(Costs)				
Budgeting for 1:1 device strategy for 2024-25	(5,000,000)		(6.02%)	14
Information Technology	(2,900,000)		(19.40%)	15
Utilities	2,000,000		1.70%	16
Transportation	(5,000,000)		(6.94%)	17
Increase in Other Costs		(10,900,000)		
2024-25 Projected Financial Position		(34,800,000)		

NOTES

**** Percentages above are based on relevant line items from the 2023-24 Revised Estimate**

- 1 This assumes that the GSN benchmarks are the same and that there is an increase in GSN due to enrolment. *Percentage is based on GSN grants, excluding Language Allocation*

- 2 Represents a projected increase in number of students eligible for ESL grant. *Percentage is based on Language Allocation Grant.*
- 3 Represents having less money on hand to invest and lower expected interest rates.
- 4 Represents projected enrolment and an increase in tuition fees for 2024-25.
- 5 Represents the annualization of the revised umbrella agreement for 2024-25.
- 6 Represents the increase in staffing from projections in March 2023.
- 7 Represents the increase in staffing from projections in March 2023.
- 8 Represents a reduction based on the decrease in projected Kindergarten enrolment.
- 9 Represents an increase in budget to reflect projected costs based on actual experience.
- 10 Represents removing the 28 (20 elementary and 8 secondary) VPs added through the 2023-24 budget process.
- 11 This represents removing the safety positions (other than SBSMs) that were added in January 2023. They include:
 - a) 2 Teachers
 - b) 2 Caring and Safe Advisors
 - c) 2 Child and Youth Counsellors (CYC)
 - d) 1 Student Equity Program Advisor
 - e) 3 Office Administrative Positions
 - f) 1 Child and Youth Worker
 - g) 12 Social Workers
 - h) 11 District-Wide CYCs
- 12 Represents the projected increase in statutory benefits.
- 13 Represents an increase based on projections from actuary.
- 14 Represents the net cost of implementing the next year of 1:1 device strategy
- 15 Represents the increase in license costs and agreements.
- 16 Represents anticipated savings in utilities.
- 17 Represents increase in new transportation contract.

Risks

The following items have significant risk to the financial forecast of the Board should the assumptions underlining them not match the Board's experience:

- 1) **Supply staff costs:** Staff continue to monitor absenteeism rates. Should staff see significant increase in absenteeism above projection, Trustees will be updated in future reports.
- 2) **Ministry of Education Funding:** This forecast was developed using the current 2023-2024 Ministry of Education funding model for the GSN and made assumptions around the continuation of certain PPFs. Should there be a reduction in funding there would be a negative impact on the Board's financial position.

- 3) **Working funds and internally restricted funds:** As noted in the chart below, the Board has used the reserves to balance the operating budget deficit; as a result, the reserve balances are close to depletion so there is not sufficient reserves to offset significant future deficits.
- 4) **Inflation Risk:** The impact of inflationary cost of supplies, services, and capital are difficult to project given the current economy.
- 5) **Other Unknown Challenges:** Unanticipated financial challenges that may emerge in the 2024-25 school year. Investment income is subject to interest rate risk depending on financial markets volatility. International student tuition revenue may be impacted by immigration policy decisions.
- 6) **Labor Costs:** As outlined in the FBEC report on the Revised Estimates for 2023-24, staff are still awaiting the decision of arbitration and Ministry funding to determine the impact of Bill 124. As the final arbitration award is likely to be announced in early February and shortly after the Ministry of Education funding for the award will be announced, it is not possible to incorporate the impact of this award on the Board financial position. The TDSB continues to experience a funding gap between provincial funding and the actual salary expense. Depending on the province's funding methodology for the Bill 124 monetary provision, the TDSB's funding gap might further widen.

Staff will continue to monitor these risks and will update Trustees as new information or risks become known.

Action Plan and Associated Timeline

A report on the options to balance the 2024-25 budget will be provided to Trustees at the February 14, 2024 FBEC meeting for consideration and feedback. Staff will provide an update on the projected forecast at the February 14, 2024 FBEC meeting, if additional information becomes available.

Resource Implications

2024-25 represents the third year of a three-year deficit recovery plan submitted to the Ministry of Education, which requires the Board to present a balanced budget. In addition, the current reserve forecast outlined below does not provide sufficient reserves to accommodate any further operating deficits.

Reserves (in \$ millions)	Actual Reserves as of August 31, 2023	2023-24 Projected use of reserves	Estimated Reserves, as of August 31, 2024
Working funds Reserve	-	-	-
Benefit Funds on Deposit	9.4	(9.0)	0.4
School Support	16.0	(6.3)	9.7
Environmental Legacy / Artificial Turf Funds	3.7	-	3.7
Total Internally Appropriated	29.1	(15.3)	13.8
Sinking Fund Interest (restricted)	11.4	-	11.4
Total working funds and internally restricted funds	40.5	(15.3)	25.2

Communications Considerations

This report will be posted on the Board’s budget website.

Board Policy and Procedure Reference(s)

N/A

Appendices

N/A

From

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Our Mission

To enable all students to reach high levels of achievement and well-being and to acquire the knowledge, skills and values they need to become responsible, contributing members of a democratic and sustainable society.

We Value

- Each and every student's interests, strengths, passions, identities and needs
- A strong public education system
- A partnership of students, staff, family and community
- Shared leadership that builds trust, supports effective practices and enhances high expectations
- The diversity of our students, staff and our community
- The commitment and skills of our staff
- Equity, innovation, accountability and accessibility
- Learning and working spaces that are inclusive, caring, safe, respectful and environmentally sustainable

Our Goals

Transform Student Learning

We will have high expectations for all students and provide positive, supportive learning environments. On a foundation of literacy and math, students will deal with issues such as environmental sustainability, poverty and social justice to develop compassion, empathy and problem solving skills. Students will develop an understanding of technology and the ability to build healthy relationships.

Create a Culture for Student and Staff Well-Being

We will build positive school cultures and workplaces where mental health and well-being is a priority for all staff and students. Teachers will be provided with professional learning opportunities and the tools necessary to effectively support students, schools and communities.

Provide Equity of Access to Learning Opportunities for All Students

We will ensure that all schools offer a wide range of programming that reflects the voices, choices, abilities, identities and experiences of students. We will continually review policies, procedures and practices to ensure that they promote equity, inclusion and human rights practices and enhance learning opportunities for all students.

Allocate Human and Financial Resources Strategically to Support Student Needs

We will allocate resources, renew schools, improve services and remove barriers and biases to support student achievement and accommodate the different needs of students, staff and the community.

Build Strong Relationships and Partnerships Within School Communities to Support Student Learning and Well-Being

We will strengthen relationships and continue to build partnerships among students, staff, families and communities that support student needs and improve learning and well-being. We will continue to create an environment where every voice is welcomed and has influence.

Acknowledgement of Traditional Lands

We acknowledge we are hosted on the lands of the Mississaugas of the Anishinaabe (A NISH NA BEE), the Haudenosaunee (HOE DENA SHOW NEE) Confederacy and the Wendat. We also recognize the enduring presence of all First Nations, Métis and Inuit peoples.

Reconnaissance des terres traditionnelles

Nous reconnaissons que nous sommes accueillis sur les terres des Mississaugas des Anichinabés (A NISH NA BAY), de la Confédération Haudenosaunee (HOE DENA SHOW NEE) et du Wendat. Nous voulons également reconnaître la pérennité de la présence des Premières Nations, des Métis et des Inuit."

Committee Mandate

- (i) To consider and make recommendations to the Board on finance matters, including procurement and contract awards, referred to it for consideration.
- (ii) To review the impact of enrolment and policy change on the Board's budget, including reviewing the impact of enrolment trends, and marketing strategies to bolster enrolment in declining areas of the city; and
- (iii) To consider strategies to balance the capital and operating budget over a multi-year period, and to make recommendations to the Board to balance the annual capital and operating budget.

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Funding Information Requirement

At the special meeting held on March 7, 2007, the Board decided that to be in order any trustee motion or staff recommendation that would require the Board to expend funds for a new initiative include the following information: the projected cost of implementing the proposal; the recommended source of the required funds, including any required amendments to the Board's approved budget; an analysis of the financial implications prepared by staff; and a framework to explain the expected benefit and outcome as a result of the expenditure.

[1]Closing of certain committee meetings

(2) A meeting of a committee of a board, including a committee of the whole board, may be closed to the public when the subject-matter under consideration involves,

- (a) the security of the property of the board;
- (b) the disclosure of intimate, personal or financial information in respect of a member of the board or committee, an employee or prospective employee of the board or a pupil or his or her parent or guardian;
- (c) the acquisition or disposal of a school site;
- (d) decisions in respect of negotiations with employees of the board; or
- (e) litigation affecting the board. R.S.O. 1990, c. E.2, s. 207 (2).

(2.1) Closing of meetings re certain investigations – A meeting of a board or a committee of a board, including a committee of the whole board shall be closed to the public when the subject-matter under considerations involves an ongoing investigation under the Ombudsman Act respecting the board