

PEEL DISTRICT SCHOOL BOARD
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2003

**PEEL DISTRICT SCHOOL BOARD
BALANCE SHEET**

(all amounts in thousands of dollars)

As at	August 31, 2003 \$	August 31, 2002 \$
ASSETS		
Current		
Cash	529	534
Accounts receivable		
Local government	45,363	43,728
Other receivables	5,578	9,706
Prepaid expenses (note 3)	21,728	18,634
Total current assets	73,198	72,602
Non-current		
Capital outlay to be recovered in future years	154,181	162,378
Capital outlay not permanently financed	25,948	5,910
Total non-current assets	180,129	168,288
Total assets	253,327	240,890
LIABILITIES AND RESERVE FUND BALANCES		
Current		
Bank indebtedness and loans (note 4)	20,704	6,392
Accounts payable and accrued liabilities	51,143	46,414
Deferred revenue	492	5,338
Current portion of long term debt (note 6)	6,316	8,197
Total current liabilities	78,655	66,341
Long-term		
Unmatured debenture debt & long-term debt (notes 5 and 6)	147,865	154,181
Reserve fund balances (notes 10, and 11)		
Equity in reserve funds	26,807	20,368
Total liabilities and reserve fund balances	253,327	240,890

Signed on behalf of the Board:

Secretary of the Board

Chair of the Board

See accompanying notes

**PEEL DISTRICT SCHOOL BOARD
CAPITAL FUND, STATEMENT OF OPERATIONS**

(all amounts in thousands of dollars)

Year ended	August 31, 2003 \$	August 31, 2002 \$
Capital Expenditures		
New pupil places	60,163	99,373
School renewal	14,682	13,062
Site purchases	24,222	11,041
Instructional computers	4,764	4,327
Personalized special education equipment	312	283
Other capital expenditures	21,429	2,295
Total Capital Expenditures	125,572	130,381
Capital Financing		
Unfinanced at the beginning of the year	(5,910)	(101,297)
Revenue fund financing	105,534	75,768
Long term debenture issued during the year	-	150,000
Capital outlay not permanently financed at the end of the year	25,948	5,910
Total Capital Financing	125,572	130,381

See accompanying notes

**PEEL DISTRICT SCHOOL BOARD
RESERVE FUNDS, STATEMENT OF CONTINUITY**

(all amounts in thousands of dollars)

Year ended	August 31, 2003 \$	August 31, 2002 \$
Board and Ministry Equity Capital Reserve Fund		
Balance of fund, beginning of year	1,280	1,280
Transfer from revenue fund (note 10)	2,514	-
Transfer to revenue fund (note 10)	(724)	-
Balance of fund, end of year	3,070	1,280
Non-Capital Reserve Fund		
Balance of fund, beginning of year	19,088	13,366
Interest earned	632	546
Transfer from revenue fund (note 11)	26,142	5,332
Transfer to revenue fund (note 11 and 12)	(22,125)	(156)
Balance of fund, end of year	23,737	19,088
Total Reserve Funds, end of year	26,807	20,368

See accompanying notes

**PEEL DISTRICT SCHOOL BOARD
REVENUE FUND, STATEMENT OF OPERATIONS**

(all amounts in thousands of dollars)

Year ended	August 31, 2003 \$	August 31, 2002 \$
EXPENDITURES		
Classroom	518,923	479,151
Non-classroom	128,041	117,209
Administration	22,736	20,302
Transportation	27,691	26,011
Pupil accomodation	200,232	154,475
Other non-operating expenditures	1,576	1,596
Total expenditures	899,199	798,744
Recovery of expenditures		
Government of Ontario - Other	19,066	3,566
Government of Canada	307	72
Other revenue excluding transfers from reserve funds	26,395	24,125
Total recovery of expenditures	45,768	27,763
Net Expenditure	853,431	770,981
Financing of Net Expenditures		
Government of Ontario grants	463,676	392,973
Municipal taxes	395,563	383,184
Increase in reserves	(5,808)	(5,176)
Total financing	853,431	770,981

See accompanying notes

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2003

(all amounts in thousands of dollars)

NOTE 1: ACCOUNTING POLICIES

The financial statements have been prepared by the Peel District School Board in accordance with Section 252 of the Education Act, using accounting principles prescribed by the Ministry of Education and that are considered appropriate for Ontario School Boards. These principles which are consistent with prior years, are in accordance with Canadian generally accepted accounting principles except as noted in paragraphs (a) to (h).

a) **Accrual Accounting**

Revenues and expenditures are accounted for on the accrual basis of accounting with the following exceptions:

- (1) No provision has been made to record the liability for employee future benefits as described in the CICA Handbook – Section 3461 (See note 2 and 18).
- (2) No provision is made for interest on unmatured debenture debt from the date of payment to the year end (See note 5).
- (3) Vacation pay is recorded as a salary expense when it is paid.
- (4) The education portion of municipal supplementary taxes and write-offs has not been accrued for the calendar year 2003.

b) **Capital Assets**

The acquisition of capital assets is expensed unless they are or will be financed by long-term debt. Principal and interest charges on net long-term liabilities are included as expenditures in the year due. Capital expenditures permanently financed are included on the balance sheet only to the extent of the balance of the related net long-term liabilities outstanding. Capital expenditures not permanently financed are recorded separately on the balance sheet until permanent financing has been arranged.

c) **Related Party Transactions**

Investment in or activity of controlled and/or related "for Profit" enterprises is not included in the financial statements of the Board (See notes 9 and 14).

d) **Reserves and Reserve Funds**

Reserves and reserve funds represent funds appropriated for general and specific purposes and are charged or credited to Revenue Fund Operations in the year appropriated or drawn down. The amounts in Reserves or Reserve Funds are approved by the Board and are within the limits defined in the Education Act of Ontario and its regulations.

e) **Accumulated Deficit (Surplus)**

The difference between the net expenditures of any year and the amounts received to finance these expenditures is carried forward to the subsequent year to either increase or reduce the net revenue requirement.

f) **Legislative Grants**

The legislative grants calculations are prepared by the Board annually and submitted to the Ministry of Education for their final approval. Adjustments, if any, are recorded in the year in which they are made.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2003

(all amounts in thousands of dollars)

NOTE 1: ACCOUNTING POLICIES (continued)

g) **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results may vary from current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

h) **Financial Instruments**

The balance sheet value for accounts receivable, short-term borrowing, accounts payable and accrued liabilities approximates fair value because of their limited term. The balance sheet value of the net long-term liabilities approximates the lower of cost or market value because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different. Fair value estimates are made at the balance sheet date based on relevant information and information regarding the financial instruments.

NOTE 2: RETIREMENT ALLOWANCES AND EARLY RETIREMENT INCENTIVE PLAN

Board policy provides that allowances to full-time and permanent part-time employees, who have completed ten years of continuous service with the Board and have attained the age of sixty years, or who are eligible for a pension under the provisions of the Teachers' Superannuation Act or the Ontario Municipal Employees Retirement System, are payable on retirement. All allowances are funded in the years they become due except for those teachers hired since 1995 as outlined below.

The amount of allowance payable is calculated on the basis of 20% for ten years of service, plus 2% for each additional year of service to a maximum of 50% of the annual salary being paid at the time of retirement. The following staff are exceptions to the above:

- (1) Members of C.U.P.E. Local 1628 hired after October 12, 1978;
- (2) Members of C.U.P.E. Local 2544 hired after June 30, 1978;
- (3) Members of the Media Technicians Association hired after April 24, 1979
- (4) All non-unionized staff hired after August 31, 1978 ; and
- (5) Teaching assistants and professional student support personnel.

In 1995, the Board established a retirement gratuity reserve with an annual contribution of \$1,000 to fund the retirement gratuity liability for all new teachers hired since 1995. For the year ended August 31, 2003 the reserve earned interest at the rate of 5.5%. As at August 31, 2003, the reserve amounted to \$12,112.

Some employees of the Board, upon application, are eligible for the Early Retirement Incentive Plan. This option may be granted when approved by the Board and consists of a one-time payment of an amount ranging from \$2 to \$10 depending on the year of eligibility for a maximum pension and is paid on January 1st of the year following retirement. Included in the amounts listed is an amount of \$2,519 (2002 - \$2,538) pertaining to this plan.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2003

(all amounts in thousands of dollars)

**NOTE 2: RETIREMENT ALLOWANCES AND EARLY RETIREMENT INCENTIVE PLAN
(continued)**

Retirement allowances and early retirement incentives paid were as follows:

	<u>2003</u>	
<u>2002</u>		
Elementary	\$5,951	\$6,747
Secondary	\$4,883	\$5,447

Should all the eligible employees of at least age fifty five and with a minimum of ten years of service retire, the liability to the Board would be approximately \$22,969 at the year end.

NOTE 3: PREPAID EXPENSES

The terms of the employment contracts for teachers and other 10 month staff require that the first payment for the school year be made at the end of August. This payroll expense has been recorded as a prepaid expense and will be charged to the 2003-2004 school year.

	<u>2003</u>	
<u>2002</u>		
Prepaid salaries		\$17,956
\$16,359		
Other	<u>3,772</u>	<u>2,275</u>
	<u>\$21,728</u>	<u>\$18,634</u>

NOTE 4: BANK INDEBTEDNESS AND LOANS

In accordance with Section 243(1) of the Education Act, the Board is authorized to borrow by way of promissory note, banker's acceptance or operating overdraft up to a maximum of \$250 million. The outstanding amount at any given time would substantially represent the unreceived or uncollected balance of estimated revenues. At the year end the Board has borrowings in the amount of \$20,704 (2002 - \$6,392) by way of loans and overdrafts with Canadian Chartered Banks and with Community Education (a controlled corporation see note 14). The loans are unsecured, due on demand and are in the form of bankers acceptance notes and bank overdraft comprising of outstanding cheques. The Board also has \$1,108 (2002 - \$130) in renewable, irrevocable standby letters of credit with a Canadian chartered bank. The letters of credit provide security for capital construction being done on behalf of the Board. There is an annual service fee of 1.3% until they are either utilized or cancelled upon completion of the project.

Bank Indebtedness and loans consist of the following:

	<u>2003</u>	
<u>2002</u>		
Bank loan bearing interest at 2.94% per annum	\$ 8,986	\$ 0
Bank Indebtedness	9,718	4,692
Ministry of Education interest free transportation		

loan for Edulog System due August 2003	0	450
Community Education loan bearing interest at 2.9% per annum	2,000	1,250
	<u>\$ 20,704</u>	<u>\$ 6,392</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2003

(all amounts in thousands of dollars)

NOTE 5: DEBENTURE INTEREST ACCRUAL

The amount of debenture interest not accrued on net long-term liabilities from the date of payment to the year end is

Approved long term debt	\$ 149	(2002 - \$1,170)
Other long term debt	<u>\$3,442</u>	(2002 - \$3,442)
Total	<u>\$3,591</u>	(2002 - \$4,612)

NOTE 6: NET LONG-TERM LIABILITIES

Debentures outstanding are held by the Region of Peel and the Ontario School Board Financing Corporation (OSBFC). These debentures and sinking funds mature in the fiscal years 2004 to 2017 and bear interest at rates ranging from 6.25% to 8.37%.

The principal balance outstanding at year end amounted to \$154,181 (2002 - \$162,378), of which \$147,948 (2002 - \$152,1020) are sinkings fund held by the Region of Peel and the OSBFC. The following payments will occur over the next five years and thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003-2004	\$ 6,316	\$ 9,784	\$ 16,100
2004-2005	4,020	9,540	13,560
2005-2006	2,052	9,375	11,427
2006-2007	2,052	9,375	11,427
2007-2008	2,052	9,375	11,427
Thereafter	<u>137,689</u>	<u>84,375</u>	<u>222,064</u>
	<u>\$154,181</u>	<u>\$131,824</u>	<u>\$286,005</u>

NOTE 7: REVENUE FUND STATEMENT OF OPERATIONS

Debt Charges and Capital Loan Interest

The revenue fund expenditures for debt charges and capital loan interest include principal and interest payments as follows:

	<u>2003</u>	<u>2002</u>
Principal payments on long-term liabilities including contribution to sinking funds	\$ 7,930	\$8,771
Interest payments on long-term liabilities	11,148	8,865
Interest payments on temporary financing of capital projects		<u>364</u>
	<u>\$ 19,442</u>	<u>\$18,114</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2003

(all amounts in thousands of dollars)

NOTE 8: PENSION PLAN COSTS

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer defined benefit contribution plan. No employer contributions were made to the plan until December 31, 2002 due to a contribution holiday. A reduced employer contribution payment was reinstated as of January 2003. The employer contributions for the year amounted to \$1,164.

Not shown in the financial statements of the Board are the employer's contributions to the Teachers' Superannuation Fund. The funding for such is provided directly by the Province of Ontario.

NOTE 9: CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

Contractual obligations and holdbacks for the construction of buildings, which are not reflected on the balance sheet, amounted to approximately \$19,950 (2002 - \$19,904). Substantially all of these obligations will be financed by cash grants from the Province of Ontario, reserve funds, and by the issue of debentures, the annual principal and interest charges of which will be recovered under existing legislation from grants and local taxation.

Current lease commitments for the rental of Field Office space and Community Education programs amount to \$2,607 (2002/2003 - \$3,560). An amount of \$1,726 in 2003/2004 (2002/2003 - \$2,557) will be recovered from Community Education for their leases.

The Board has commenced various capital projects for which the Region of Peel and the City of Brampton require security letters of credit as indicated in note 4 to the financial statements.

The Board self insures for staff life insurance which is administered by Sun Life of Canada. As at August 31, 2003 the Board is liable for \$987 (2002 - \$972) of claims reserve to pay for any deficit or unreported claims at the year end. This liability has been provided for by \$1,450 (2002 - \$nil) in deposit funds being held by Sun Life of Canada and received by the Board in the subsequent year.

The Board is negotiating the settlement of a dispute arising from the purchase of a property used for school sites, which has been estimated at \$1,750. This amount is being held in trust and is included in the bank indebtedness and loans (note4). The outcome of the settlement will be recorded when the dispute is resolved.

The Board is in negotiation with the secretarial and custodial employee groups on contracts that matured on September 1, 2003. To date no settlement has been reached and no accrual has been recorded in the financial statements.

In the normal course of business, various claims and litigious matters are pending by and against the Board. In the opinion of the Board's management these claims will not materially affect the Board's financial position, although no assurances can be given with respect to the ultimate outcome of any such claims. Any settlements will be recorded when the claims are resolved.

NOTE 10: EQUITY CAPITAL RESERVE FUNDS

Board and Ministry equity capital reserve funds were established from the sale of school properties and easements. The proceeds of such sales are allocated based on a prescribed formula into the appropriate reserve fund. The funds in these reserves can only be used for the acquisition of capital assets. During the year \$2,514 was transferred into the reserve and \$724 was transferred out for capital expenditures.

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2003

(all amounts in thousands of dollars)

NOTE 11: OTHER BOARD DESIGNATED RESERVE

During the year, \$1,000 was transferred into the Retirement Gratuity Reserve, \$17,785 into the EDC Reserve, \$7,193 into the Special Education Reserve and \$164 into the Cafeteria Repair Reserve. During the year \$154 was transferred into the revenue fund for cafeteria repairs.

NOTE 12: EDUCATIONAL DEVELOPMENT CHARGE RESERVE

Effective September 1999 the Peel District School Board and the Dufferin-Peel Catholic District School Board passed by-laws to collect lot levies charged for the purchase of new sites within the Region of Peel. The levies are collected by the municipalities and forwarded to the School Boards monthly. During the year, \$21,971 (2002 - \$13,953) was withdrawn from the Educational Development Charges Reserve for the purchase of sites.

NOTE 13: WORKPLACE SAFETY AND INSURANCE BOARD

Under new legislation that became effective January 1, 2001, the Board has an estimated future liability for pensions, awards and administrative costs amounting to \$9,217 (2002 - \$8,636). These costs are recognized as they are paid out over the period of the pensions.

NOTE 14: RELATED ENTITY

The Board controls a registered charitable organization, Quality Continuous Improvement Centre for Community Education & Training. The purpose of the organization is the development, support, implementation and advancement of community education and training programs. The profits from the organization are used to fund projects within the School Board and the Peel community.

The organization is funded by federal and provincial grants and fee paying courses for specific adult education and training programs. Revenue is recognized when the related program service is provided.

The organization applies similar accounting policies as the Board except for the amortization of capital assets, which is calculated on a straight-line basis over the estimated useful lives of the assets.

During the year there was an intercompany loan to the Board (see note 4). Interest was paid in the amount of \$52 (2002 - \$52)

The unaudited financial information for the year ended August 31, of the organization indicate the following:

	<u>2003</u>	<u>2002</u>		<u>2003</u>
<u>2002</u>				
Total assets	\$6,193	\$6,328	Revenue	\$25,567
\$27,990				
Total liabilities	<u>\$2,179</u>	<u>\$2,434</u>	Expenses	<u>\$25,182</u>
<u>\$28,167</u>				

Net assets	<u>\$4,014</u>	<u>\$3,894</u>	Net income (loss)	<u>\$ 385</u>	(<u>\$</u>
<u>177)</u>					

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2003

(all amounts in thousands of dollars)

NOTE 15: UNREPORTED FUNDS

The Board manages trust funds in the amount of \$874 (2002 - \$795) which belong to different schools and departments within the organization. These funds are invested in guaranteed investment certificates and the interest earned is used to provide scholarship awards annually. These funds are not reported in the financial statements.

All of the schools have non-Board funds for which they are responsible. There are operating procedures in place with regards to the use of these funds. These funds are not reported to the Board and are not included in the financial statements.

NOTE 16: ONTARIO SCHOOL BOARD INSURANCE EXCHANGE

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. The Board uses OSBIE to insure property damage, boiler and machinery coverage and crime. Automobile and general liability coverage is provided by a public broker.

NOTE 17: NOT PERMANENTLY FINANCED DEBT (NPF)

On June 1, 2003, the Board received \$13,896 from The 55 School Board Trust for its capital related debt eligible for provincial funding support pursuant to a 30-year agreement it entered with the trust. The 55 School Board Trust was created to refinance the outstanding NPF debt of participating boards who are beneficiaries of the trust. Under the terms of the agreement, the 55 School Board Trust repaid the Board's debt in consideration for the assignment by the Board to the trust of future provincial grants payable to the Board in respect of the NPF debt. As a result of the above agreement, the liability in respect of the NPF debt is no longer reflected in the Board's financial position as at August 31, 2003.

NOTE 18: EMPLOYEE FUTURE BENEFITS

An actuarial study was undertaken as required in accordance with Sections 3250 and 3255 of The Canadian Institute of Chartered Accountants' Handbook during the course of the year to determine the employee future benefits liability of the retirement gratuity plan as indicated in note 2. Based on this study the unfunded liability of the Board as at August 31, 2003 is \$62,746 (2002 - \$60,960) which is not recorded on the balance sheet. The Board recognizes the liability upon retirement and charges these costs when they are paid. The funds accumulated in the retirement gratuity reserve are not recognized in the calculation of the liability as they are not invested in outside agencies.

NOTE 19: STATEMENT PRESENTATION

The 2001-2002 Financial Statements have been reclassified to conform with the 2002-2003 presentation.

NOTE 20: REVENUE FUND STATEMENT OF OPERATIONS

The 2002-2003 estimates data shown on this schedule are the budget amounts approved by the Board and submitted to the Ministry of Education. These amounts have not been audited

by the Board's external auditor and do not include the funding enhancements announced in December 2002. These enhancements are included in the actual revenues for the 2002-2003 operations.