

PEEL DISTRICT SCHOOL BOARD
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2002

AUDITORS' REPORT

To the Board of Trustees of the
Peel District School Board

We have audited the balance sheet of the **Peel District School Board** as at August 31, 2002 and the statement of operations - capital fund, statement of continuity - reserve fund and statement of operations - revenue fund for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at August 31, 2002 and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements.

Toronto, Canada,
November 18, 2002.

Ernst & Young LLP

Chartered Accountants

**PEEL DISTRICT SCHOOL BOARD
BALANCE SHEET**

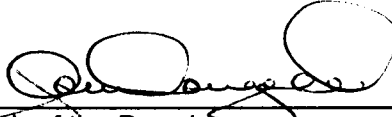
(all amounts in thousands of dollars)

As at	August 31, 2002 \$	August 31, 2001 \$
ASSETS		
Current		
Cash	534	529
Accounts receivable		
Local Government	43,728	40,805
Other receivables	9,706	15,423
Prepaid expenses (note 3)	18,634	18,187
Total current assets	72,602	74,944
Non-current		
Capital outlay to be recovered in future years	162,378	21,083
Capital outlay not permanently financed	5,910	101,297
Total non-current assets	168,288	122,380
Total assets	240,890	197,324
LIABILITIES AND RESERVE FUND BALANCES		
Current		
Bank indebtedness and loans (note 4)	6,392	104,880
Accounts payable and accrued liabilities	46,414	50,110
Deferred revenue	5,338	6,605
Total current liabilities	58,144	161,595
Long-term		
Unmatured debenture debt & long-term debt (notes 5 and 6)	162,378	21,083
Reserve fund balances (notes 9, and 10)		
Equity in reserve funds	20,368	14,646
Deficit (Surplus)	-	-
Total liabilities and reserve fund balances	240,890	197,324

Contractual obligations and contingencies (note 9)

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, 2002 \$	August 31, 2001 \$
Capital Expenditures		
New pupil places	99,374	75,523
School renewal	13,062	13,063
Site purchases	11,041	12,724
Instructional computers	4,327	4,609
Personalized special education equipment	283	215
Other capital expenditures	2,295	328
Total Capital Expenditures	130,381	106,462
Capital Financing		
Unfinanced at the beginning of the year	(101,297)	(52,979)
Revenue fund financing	75,768	58,144
Long Term Debenture Issued in the year	150,000	-
Capital outlay not permanently financed end of the year	5,910	101,297
Total Capital Financing	130,381	106,462

See accompanying notes

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

(all amounts in thousands of dollars)

Year ended	August 31, 2002 \$	August 31, 2001 \$
Board & Ministry Equity Capital Reserve Fund		
Balance of fund, beginning of year	1,280	1,280
Transfer to revenue fund	-	-
Balance of fund, end of year	1,280	1,280
Non-Capital Reserve		
Balance of fund, beginning of year	13,366	12,083
Interest earned	546	675
Transfer from revenue fund (note 11)	5,332	1,967
Transfer to revenue fund (note 11)	(156)	(1,359)
Balance of fund, end of year	19,088	13,366
Total Reserve Funds, end of year	20,368	14,646

See accompanying notes

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

(all amounts in thousands of dollars)

Year ended	August 31, 2002 \$	August 31, 2001 \$
EXPENDITURES		
Classroom	479,151	449,105
Non-classroom	117,209	107,956
Administration	20,302	22,539
Transportation	26,011	23,427
Pupil accomodation	154,475	140,400
Other non-operating expenditures	1,596	1,643
Total expenditures	798,744	745,070
Recovery of expenditures		
Government of Ontario - Other	3,566	-
Government of Canada	72	
Individual tuition fees	-	2
Other revenue excluding transfers from reserves	24,125	28,420
Total recovery of expenditures	27,763	28,422
Net Expenditure	770,981	716,648
Financing of Net Expenditures		
Government of Ontario grants	392,973	350,903
Municipal taxes	383,184	366,353
Decrease (increase) in reserves	(5,176)	(608)
Total financing	770,981	716,648

See accompanying notes

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2002

(all amounts in thousands of dollars)

NOTE 1: ACCOUNTING POLICIES

The financial statements have been prepared by the Peel District School Board using accounting policies that are prescribed by the Ministry of Education and that are considered appropriate for Ontario School Boards. These policies 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).
- (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 2002.

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 period 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.

Related Party Transactions

- c) 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 and its regulations.

e) **Accumulated Deficit (Surplus) at Year End**

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, 2002

(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 revenue 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 values because the Board's current rate of borrowing for similar debt instruments of comparable maturity is not materially different. Fair value estimates are made as 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, and
- (4) All non-unionized staff hired after August 31, 1978

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 ending August 31, 2002 the reserve earned interest at the rate of 5.5%. As at August 31, 2002 the reserve amounted to \$10,481.

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 \$2,538 (2001- \$2,509) pertaining to this plan.

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2002

(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>2002</u>	<u>2001</u>
Elementary	\$6,747	\$6,051
Secondary	\$5,447	\$3,615

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 \$20,115 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 pay 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 2002-2003 school year.

	<u>2002</u>	<u>2001</u>
Prepaid salaries	\$16,359	\$16,019
Other	<u>2,275</u>	<u>2,168</u>
	<u>\$18,634</u>	<u>\$18,187</u>

NOTE 4: BANK INDEBTEDNESS AND LOANS

The Board has \$1,700 of loans outstanding at year end with various financial institutions and Community Education. The Community Education loan bears interest at 2 % per annum.

Loans consist of the following:

	<u>2002</u>	<u>2001</u>
Bank loan	\$ 0	\$ 8,217
Ministry of Education interest free transportation loan for Edulog System due August 2003	450	450
Community Education loan at 2%	1,250	2,250
City of Mississauga loan	0	54,820
City of Brampton loan	<u>0</u>	<u>39,143</u>
	<u>\$ 1,700</u>	<u>\$104,880</u>

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2002

(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 \$4,612 (2001 - \$1,642).

NOTE 6: NET LONG-TERM LIABILITIES

Debentures outstanding are held by the Region of Peel and the Ontario School Board Financing Corporation. These debentures and sinking funds mature from 2002 to 2016 and bear interest at rates from 6.25% to 8.0%.

The principal balance outstanding at year end amounted to \$162,378, of which \$152,102 are sinking funds 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>
2002-2003	\$ 8,197	\$ 11,148	\$ 19,345
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
Thereafter	<u>139,741</u>	<u>93,750</u>	<u>233,491</u>
	<u>\$162,378</u>	<u>\$142,972</u>	<u>\$305,350</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>2002</u>	<u>2001</u>
Principal payments on long-term liabilities including contribution to sinking funds	\$ 8,771	\$14,231
Interest payments on long-term liabilities	8,865	9,750
Interest payments on temporary financing of capital projects	<u>478</u>	<u>631</u>
	<u>\$ 18,114</u>	<u>\$24,612</u>

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2002

(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 contributory plan. No employer contributions were made to the plan during the year due to a contribution holiday which continues until December 31, 2002.

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 \$19,904 (2001 - \$29,300). 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 approximate \$3,560 (2001 - \$3,336). An amount of \$2,557 in 2002/2003 (2001 - \$2,450) will be recovered from Community Education for their leases.

The Board is negotiating the settlement of a dispute arising from the purchase of two pieces of property used for school sites, which approximates \$3,000. The outcome of the settlement will be recorded when the disputes are resolved.

The Board is in negotiation with all employee groups on contracts that matured September 1, 2002. 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 reserves. The funds in these reserves can only be used for the acquisition of capital assets.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2002

(all amounts in thousands of dollars)

NOTE 11 OTHER BOARD DESIGNATED RESERVE

During the year, \$1,000 was transferred into the Retirement Gratuity Reserve, \$18,138 into the EDC Reserve and \$147 into the Cafeteria Repair Reserve. During the year \$156 was transferred into the revenue fund for Cafeteria Repairs.

NOTE 12: EDUCATIONAL DEVELOPMENT CHARGES

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, \$13,953 (2001 - \$16,860) 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 \$8,636 (2001 - \$7,896). These pensions, awards and administrative 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 to the Board except for the amortization of capital assets, which are amortized on a straight-line basis over the estimated useful lives of the assets.

The unaudited records for the most recent year dated August 31, 2002 of the organization indicate the following:

	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Total assets	\$6,328	\$7,144	Revenue	\$27,990	\$25,417
Total liabilities	<u>\$1,851</u>	<u>\$2,407</u>	Expenses	\$28,253	\$25,032
Net assets	<u>\$4,477</u>	<u>\$4,737</u>	Net income(loss)	<u>(\$ 263)</u>	<u>\$ 385</u>

PEEL DISTRICT SCHOOL BOARD
NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2002

(all amounts in thousands of dollars)

NOTE 15: FUNDS NOT REPORTED

The Board manages trust funds in the amount \$795 (2001 - \$706) 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 on 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.