

PEEL DISTRICT SCHOOL BOARD

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007



KPMG LLP
Chartered Accountants
Yonge Corporate Centre
4100 Yonge Street Suite 200
Toronto ON M2P 2H3
Canada

Telephone (416) 228-7000
Fax (416) 228-7123
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Trustees of Peel District School Board

We have audited the consolidated statement of financial position of Peel District School Board as at August 31, 2007 and the consolidated statements of financial activities and fund balances and changes in financial position 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.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. These 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 common with many school boards, individual schools derive revenue from school fundraising activities held throughout the year. Adequate documentation and controls were not in place throughout the year to allow us to obtain satisfactory audit verification as to the completeness of these revenues. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the individual schools and we were not able to determine whether adjustments might be necessary to school fundraising revenue, net revenue, financial assets and net financial position.

In our opinion, except for the effect of adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of school fundraising revenue referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of Peel District School Board as at August 31, 2007 and the results of its operations and changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for 2006 were reported on by another firm of chartered accountants.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

November 16, 2007

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

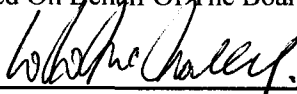
PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in thousands of dollars)

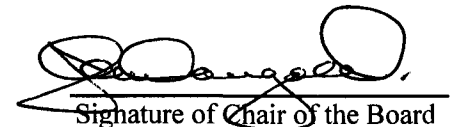
As at August 31	2007	2006 (Restated - note 16)
FINANCIAL ASSETS		
Cash and cash equivalents	\$ -	\$ 53,310
Cash from school activities	8,863	7,995
Accounts receivable	60,357	59,056
TOTAL FINANCIAL ASSETS	69,220	120,361
FINANCIAL LIABILITIES		
Temporary borrowing (note 3)	65,881	319
Accounts payable and accrued liabilities	107,346	100,390
Net debenture debt (note 4)	476,308	438,001
Deferred revenue - reserves (note 5)	3,180	3,196
Deferred revenue - other	5,335	1,226
Employee benefits payable (note 6)	139,217	128,700
TOTAL FINANCIAL LIABILITIES	797,267	671,832
NET FINANCIAL LIABILITIES	(728,047)	(551,471)
NON-FINANCIAL ASSETS		
Prepaid expenses (note 7)	51,066	25,638
TOTAL NON-FINANCIAL ASSETS	51,066	25,638
NET LIABILITIES	\$ (676,981)	\$ (525,833)
FINANCIAL POSITION		
Operating fund	(5,900)	-
Capital fund	(72,267)	19,169
Reserve fund	21,644	27,133
School activities fund	8,582	8,102
TOTAL FUND BALANCES	(47,941)	54,404
Amounts to be recovered (note 8)	(629,040)	(580,237)
NET FINANCIAL POSITION	\$ (676,981)	\$ (525,833)

See accompanying notes to the consolidated financial statements

Signed On Behalf Of The Board:



Signature of Chief Financial Officer



Signature of Chair of the Board

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(all amounts in thousands of dollars)

Year ended August 31	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
	(Unaudited)		(Restated - note 16)
REVENUES			
Local taxation	\$ 456,069	\$ 481,061	\$ 458,238
Provincial grants	689,329	653,698	627,640
Federal grants	-	12,422	9,259
School fundraising	37,000	35,317	35,805
Investment income	1,230	4,664	3,171
Other revenue	10,000	27,986	28,706
TOTAL REVENUE	1,193,628	1,215,148	1,162,819
EXPENDITURES			
Instruction	870,410	922,534	836,136
Administration	31,911	30,020	29,923
Transportation	29,413	39,028	38,118
School operations and maintenance	116,222	106,681	109,305
Pupil accommodation	222,658	236,330	227,222
School fundraising	37,000	34,837	35,643
Other	11,035	22,294	22,402
TOTAL EXPENDITURES (note 9)	1,318,649	1,391,724	1,298,749
NET EXPENDITURE	(125,021)	(176,576)	(135,930)
Increase in prepaid expenses	-	25,428	2,155
INCREASE IN NON-FINANCIAL ASSETS	-	25,428	2,155
CHANGE IN NET LIABILITIES	(125,021)	(151,148)	(133,775)
FINANCING TRANSACTIONS			
Long term financing issued (note 4)	-	47,560	200,000
Debt repayments and sinking fund contributions (note 4)	(8,268)	(9,253)	(4,405)
Increase in unfunded liabilities	7,359	10,496	8,400
CHANGE IN AMOUNTS TO BE RECOVERED	(909)	48,803	203,995
CHANGE IN FUND BALANCES	(125,930)	(102,345)	70,220
Opening fund balances	54,946	54,404	(15,816)
CLOSING FUND BALANCES	\$ (70,984)	\$ (47,941)	\$ 54,404

See accompanying notes to the consolidated financial statements

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(all amounts in thousands of dollars)

As at	ACTUAL 2007	ACTUAL 2006 (Restated - note16)
OPERATIONS		
Net expenditure	\$ (176,576)	\$ (135,930)
SOURCES AND (USES)		
Accounts receivable	(1,301)	(1,845)
Accounts payable and accrued liabilities	6,956	27,355
Deferred revenue - reserves	(16)	(739)
Deferred revenue - other	4,109	(8,647)
Employee benefits payable	10,517	3,866
Net (decrease) in cash from operations	(156,311)	(115,940)
FINANCING		
Long term debt (note 4)	47,560	200,000
Debt repaid and sinking fund contributions (note 4)	(9,253)	(4,405)
Temporary borrowing (note 3)	59,851	-
Net increase in cash from financing	98,158	195,595
CHANGE IN CASH AND CASH EQUIVALENTS	(58,153)	79,655
Opening cash and cash equivalents	60,986	(18,669)
CLOSING CASH AND CASH EQUIVALENTS	\$ 2,833	\$ 60,986
See accompanying notes		
CLOSING CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and cash equivalents	\$ -	\$ 53,310
Cash from school activities	8,863	7,995
Temporary borrowing (note 3)	(6,030)	(319)
CLOSING CASH AND CASH EQUIVALENTS	\$ 2,833	\$ 60,986

See accompanying notes to the consolidated financial statements

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED SCHEDULE OF OPERATING FUND

(all amounts in thousands of dollars)

Year ended August 31	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
	(Unaudited)		(Restated - note 16)
REVENUES			
Local taxation	\$ 456,069	\$ 481,061	\$ 458,238
Provincial grants	689,329	653,698	627,640
Federal grants	-	12,422	9,259
Investment income	230	3,698	2,255
Other revenue	-	14,836	17,320
TOTAL REVENUES	1,145,628	1,165,715	1,114,712
EXPENDITURES			
Instruction	866,531	916,116	829,487
Administration	31,318	28,530	28,606
Transportation	29,413	39,028	38,118
School operations and maintenance	116,222	106,279	104,096
Pupil accommodation	31,766	28,020	19,172
Other	1,035	22,099	22,011
TOTAL EXPENDITURES	1,076,285	1,140,072	1,041,490
NET REVENUE	69,343	25,643	73,222
Increase in prepaid expenses	-	25,428	2,155
INCREASE IN NON-FINANCIAL ASSETS	-	25,428	2,155
Debt principal repayments and sinking fund contributions (note 4)	(8,268)	(9,253)	(4,405)
Increase in unfunded liabilities	7,359	10,496	8,400
CHANGE IN AMOUNTS TO BE RECOVERED	(909)	1,243	3,995
NET TRANSFER (TO) FROM OTHER FUNDS			
Transfers (to) Capital fund	(68,434)	(64,669)	(78,446)
Transfers (to) from Reserve fund (note 11)	-	6,455	(926)
NET TRANSFER (TO) OTHER FUNDS	(68,434)	(58,214)	(79,372)
CHANGE IN OPERATING FUND BALANCE	-	(5,900)	-
Opening balance - Operating fund	-	-	-
CLOSING FUND BALANCE - OPERATING FUND	\$ -	\$ (5,900)	\$ -

See accompanying notes to the consolidated financial statements

**PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED SCHEDULE OF CAPITAL FUND**

(all amounts in thousands of dollars)

Year ended August 31	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
	(Unaudited)		
REVENUES			
Education development charges (note 12)	\$ 10,000	\$ 13,089	\$ 10,658
Other	-	61	728
TOTAL REVENUES	10,000	13,150	11,386
CAPITAL EXPENDITURES			
Instruction	3,879	6,418	6,649
Administration	593	1,490	1,317
School operations and maintenance	-	402	5,209
Pupil accommodation	190,892	208,310	208,050
Other	10,000	195	391
TOTAL EXPENDITURES	205,364	216,815	221,616
NET EXPENDITURE	(195,364)	(203,665)	(210,230)
LONG TERM FINANCING (note 4)	-	47,560	200,000
NET TRANSFERS FROM OTHER FUNDS			
Transfers from Operating fund	68,434	64,669	78,446
NET TRANSFERS FROM OTHER FUNDS	68,434	64,669	78,446
CHANGE IN CAPITAL FUND BALANCE	(126,930)	(91,436)	68,216
Opening balance - Capital fund	19,169	19,169	(49,047)
CLOSING BALANCE - CAPITAL FUND	\$ (107,761)	\$ (72,267)	\$ 19,169

See accompanying notes to the consolidated financial statements

**PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED SCHEDULE OF RESERVE FUND**

(all amounts in thousands of dollars)

Year ended August 31	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
	(Unaudited)		
REVENUES			
Investment income	\$ 1,000	\$ 966	\$ 916
TOTAL REVENUES	1,000	966	916
NET TRANSFERS FROM (TO) OTHER FUNDS			
Transfers from (to) Operating fund (note 11)	-	(6,455)	926
NET TRANSFERS FROM (TO) OTHER FUNDS	-	(6,455)	926
CHANGE IN RESERVE FUND BALANCE	1,000	(5,489)	1,842
Opening balance - Reserve fund	26,838	27,133	25,291
CLOSING BALANCE - RESERVE FUND	\$ 27,838	\$ 21,644	\$ 27,133

See accompanying notes to the consolidated financial statements

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED SCHEDULE OF SCHOOL ACTIVITIES FUND

(all amounts in thousands of dollars)

Year ended August 31	BUDGET 2007	ACTUAL 2007	ACTUAL 2006
	(Unaudited)		(Restated - note16)
REVENUES			
School fundraising & other revenues	\$ 37,000	\$ 35,317	\$ 35,805
TOTAL REVENUES	37,000	35,317	35,805
EXPENDITURES			
School funded activities	37,000	34,837	35,643
TOTAL EXPENDITURES	37,000	34,837	35,643
CHANGE IN SCHOOL ACTIVITIES FUND BALANCE	-	480	162
Opening balance - School activities fund	8,939	8,102	7,940
CLOSING BALANCE - SCHOOL ACTIVITIES FUND	\$ 8,939	\$ 8,582	\$ 8,102

See accompanying notes to the consolidated financial statements

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 1: MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The consolidated financial statements are the responsibility of Peel District School Board's ("the Board") management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles for local governments established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of 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 and by the Board's internal auditors.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by the Board in accordance with generally accepted accounting principles for local governments established by the PSAB of The Canadian Institute of Chartered Accountants.

a) Reporting Entity

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

School Activities Fund, which includes the assets, liabilities, revenues, expenditures and fund balances of various organizations that exist at the school level and which are controlled by the Board, are included in the consolidated financial statements.

These consolidated financial statements also include the accounts of The Quality Continuous Improvement Centre for Community Education and Training ("CET"), CET International Inc., and Halton Business Institute Inc. All intercompany transactions and balances have been eliminated.

b) Trust Funds

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

c) Basis of Accounting

Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

d) **Cash and Cash Equivalents**

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

e) **Capital Assets**

The historical cost and accumulated depreciation of capital assets are not reported. Capital assets are reported as expenditures on the Consolidated Statement of Financial Activities in the year of acquisition.

f) **Deferred Revenue**

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

g) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenditures during the year. Actual results could differ from those estimates.

h) **Government Transfers**

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

i) **Retirement Allowances and Other Future Benefits**

The Board provides defined retirement and other future benefits to specified employee groups. These benefits include pension, retirement gratuity, sick leave and the Board is also self insured for future Workplace Safety Insurance, life insurance and dental and health care benefits. The Board has adopted the following policies with respect to accounting for these employee benefits:

The costs of self-insured retirement and Workplace Safety Insurance are actuarially determined using management's best estimate of salary escalation, accumulated sick days at retirement, long-term inflation rates and discount rates.

For these self-insured retirement and other employee benefits that accumulate over the periods of service provided by the employees, the cost is actuarially determined using the projected benefits method prorated on service. Under this method, the benefit costs are recognized over the expected average service life of the employee group. Any actuarial gains and losses related to the past service of employees are amortized over the expected average remaining service life of the employee group.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (continued)

i) **Retirement Allowances and Other Future Benefits (continued)**

For the obligations for Workplace Safety Insurance the cost is recognized immediately in the period the events occur. Any actuarial gains or losses that are related to these benefits are recognized immediately in the period that they arise.

The cost for the Ontario Municipal Employees Retirement System pension is the employer's contribution due in the current period.

j) **Investment Income**

Investment income earned on surplus operating funds, capital funds, reserves and reserve funds is recognized as revenue when earned. Investment income earned on internally restricted funds such as retirement gratuities is allocated to the respective fund balance and forms part of the respective reserve fund balance.

k) **Reserves and Reserve Funds**

Certain amounts, as approved by the Board trustees, are set aside in reserves and reserve funds for future operating and capital purposes. Transfers to and/or from reserves and reserve funds are an adjustment to the respective fund when approved.

l) **Budget Figures**

Budget figures have been provided for comparison purposes and have been derived from the budget approved by the Board trustees. The budget approved by the Board trustees is developed in accordance with the provincially mandated funding model for school boards and is used to manage program spending within the guidelines of the funding model. Given differences between the funding model and generally accepted accounting principles for local governments established by the PSAB, the budget figures presented have been adjusted to conform with this basis of accounting as it is used to prepare the consolidated financial statements. Actual financing and expenditures in respect of capital may differ significantly from annual budgets due to timing and the long-term nature of capital projects. The budget figures are unaudited.

NOTE 3: TEMPORARY BORROWING

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 \$250,000. 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 \$65,881 (2006 - \$319) by way of loan and overdrafts with Canadian Chartered Banks. The loans are unsecured, due on demand and are in the form of bankers' acceptance notes and bank overdraft comprising outstanding cheques. The Board also has \$1,008 (2006 - \$1,008) 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 1.2% until they are either utilized or cancelled upon completion of the project.

Bank indebtedness and loans consist of the following:

	<u>2007</u>	<u>2006</u>
Bank loans bearing interest at 4.88% to 5.17% per annum	\$ 59,851	-
Bank indebtedness	6,030	319
Temporary borrowing	<u>\$ 65,881</u>	<u>\$ 319</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 4: NET DEBENTURE DEBT

Net debenture debt outstanding reported on the Consolidated Statement of Financial Position are held by the Ontario School Board Financing Corporation ("OSBFC") and comprises of the following:

	<u>2007</u>	<u>2006</u>
OSBFC 2004 – A1 Debenture	\$ 94,948	\$ 97,051
OSBFC 2006 – A1 Debenture	195,886	200,000
Good Places to Learn Debenture	47,041	-
OSBFC 2001 – A2 Sinking Fund Debenture	150,000	150,000
Less: Sinking Fund Assets	<u>(11,567)</u>	<u>(9,050)</u>
Balance as at August 31	<u>\$476,308</u>	<u>\$438,001</u>

These debentures and sinking funds mature in the fiscal years 2015 to 2031 and bear interest at rates ranging from 4.56% to 6.25%. During the year, the Board issued, through the OSBFC, a 25 year debenture in the amount of \$47,560 (2006 - \$200,000) with an annual interest rate of 4.56% (2006 -5.07%).

Principal payments and Sinking Fund Contributions relating to net debenture debt of \$476,308 outstanding as at August 31, 2007 are due as follows:

	<u>Principal and Sinking Fund Contributions</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 9,672	\$ 26,561	\$ 36,233
2008-2009	10,067	26,166	36,233
2009-2010	10,482	25,751	36,233
2010-2011	10,919	25,314	36,233
2011-2012	11,379	24,854	36,233
Thereafter	<u>423,789</u>	<u>208,393</u>	<u>632,182</u>
	<u>\$ 476,308</u>	<u>\$337,039</u>	<u>\$ 813,347</u>

Included in net debenture debt are outstanding debentures of \$150,000 (2006 - \$150,000) secured by sinking fund assets with a carrying value of \$11,567 (market value \$ 11,657). Sinking fund assets are comprised of short-term notes and deposits, government and government guaranteed bonds and debentures and corporate bonds.

The expenditure for debt charges and capital loan interest includes principal and interest payments as follows:

	<u>2007</u>	<u>2006</u>
Principal payments on long-term liabilities including contribution to sinking funds	\$ 9,253	\$ 4,405
Interest payments on long-term liabilities	25,841	14,779
Interest payments on temporary financing of capital projects	<u>975</u>	<u>996</u>
	<u>\$36,069</u>	<u>\$20,180</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 5: DEFERRED REVENUE

The use of certain reserve funds are restricted by provincial government regulations. It is a requirement of the public sector accounting principles of The Canadian Institute of Chartered Accountants that these reserve funds be reported as deferred revenue. During the year \$621 for school success was transferred to revenue and \$604 for proceeds of disposition was transferred into the reserve.

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

	<u>2007</u>	<u>2006</u>
Proceeds of disposition	\$3,067	\$2,463
School success	113	733
	<u>\$ 3,180</u>	<u>\$ 3,196</u>

NOTE 6: RETIREMENT & OTHER EMPLOYEE FUTURE BENEFITS

a) **Retirement allowances and early retirement incentive plan**

Board policy provides that allowances to full-time and permanent part-time employees, who have completed 10 years of continuous service with the Board and have attained the age of 60 years, or who are eligible for a pension under the provisions of the Teachers' Superannuation Act or the Ontario Municipal Employees Retirement System ("OMERS"), 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 10 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 not eligible for retirement allowances:

- (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.

Retirement allowances and early retirement incentives paid were as follows:

	<u>2007</u>	<u>2006</u>
Elementary staff	\$4,855	\$4,151
Secondary staff	3,356	2,633
Other staff	195	231
	<u>\$8,406</u>	<u>\$7,015</u>

Should all the eligible employees of at least age 55 and with a minimum of 10 years of service retire, the liability to the Board would be approximately \$27,039 (2006 - \$21,897) at year end.

In 1995, the Board established a retirement gratuity reserve to fund the retirement gratuity liability for all new teachers hired since 1995. For the year ended August 31, 2007 the reserve earned interest at the rate of 5.5%. As at August 31, 2007, the reserve amounted to \$18,533 (2006 - \$17,567).

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 6: RETIREMENT & OTHER EMPLOYEE FUTURE BENEFITS (continued)

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 \$203 (2006 - \$171) pertaining to this plan.

b) Retirement and other employee future benefits

The accrued benefit obligations for employee future benefit plans as at August 31, are based on actuarial valuations for PSAB reporting purposes. These actuarial valuations are based on assumptions about future events. The economic assumptions used in these valuations are the Board's best estimate assumptions.

	<u>2007</u>	<u>2006</u>
Wage and salary escalation	3.75%	3.75%
Discount on accrued benefit obligations	4.75%	4.75%

Sick leave utilization is based on experience and probability tables.

Accrued employee future benefit liability is comprised of employee future benefits relating to retirement benefit obligations and compensated absences.

Retirement and Other Employee Future Benefit Liabilities

	<u>Retirement Benefits</u>	<u>Other Employee Future Benefits</u>	<u>2007 Total Employee Future Benefits</u>	<u>2006 Total Employee Future Benefits</u>
Accrued Benefit Obligations at August 31	\$92,949	\$80,564	\$173,513	\$170,283
Unamortized Actuarial Losses at August 31	(17,693)	(16,603)	(34,296)	(41,583)
Accrued Employee Future Benefit Liability at August 31	<u>\$75,256</u>	<u>\$63,961</u>	<u>\$139,217</u>	<u>\$128,700</u>

Retirement and Other Employee Future Benefit Expenditures

	<u>Retirement Benefits</u>	<u>Other Employee Future Benefits</u>	<u>2007 Total Employee Future Benefits</u>	<u>2006 Total Employee Future Benefits</u>
Estimated Costs for the year				
Current year benefit costs	\$7,547	\$6,382	\$13,929	\$7,847
Interest on accrued benefit obligation	4,480	3,301	7,781	6,938
Net amortization of estimation adjustment loss	2,235	1,575	3,810	1,008
Employee future benefit expenditures ⁽¹⁾	14,262	11,258	25,520	15,793
Actual payments for the year	<u>(8,203)</u>	<u>(6,800)</u>	<u>(15,003)</u>	<u>(11,660)</u>
Net estimated costs	<u>\$6,059</u>	<u>\$4,458</u>	<u>\$10,517</u>	<u>\$4,133</u>

⁽¹⁾Excluding pension contributions to OMERS, a multi-employer pension plan described below.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 6: RETIREMENT & OTHER EMPLOYEE FUTURE BENEFITS (continued)

c) **Pension plan costs**

All non-teaching employees of the Board are eligible to be members of OMERS which is a multi-employer defined benefit contribution plan. The employer contributions for the year amounted to \$9,434 (2006 - \$8,917).

Not shown in the consolidated 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.

d) **Workplace Safety and Insurance Board("WSIB")**

The Board is a Schedule 2 employer under the WSIB 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 liabilities related to this plan are included in the Board's financial statements.

NOTE 7: 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 before the end of August. The biweekly payroll system resulted in two pays being made before the new school year commencing on September 1, 2007. This payroll and benefit expenditure has been recorded as a prepaid expense and will be charged to the 2007-2008 school year.

	<u>2007</u>	<u>2006</u>
Prepaid salaries and benefits	\$50,258	\$24,563
Other prepaids	808	1,075
Total prepaid expenses	<u>\$51,066</u>	<u>\$25,638</u>

NOTE 8: AMOUNTS TO BE RECOVERED

The amounts to be recovered from future year funding reported on the Consolidated Statement of Financial Position are comprised of the following:

	<u>2007</u>	<u>2006</u>
Capital outlay to be recovered in future years		
Net debenture debt (note 4)	<u>\$476,308</u>	<u>\$438,001</u>
Amounts to be financed in future years		
Retirement benefits (note 6)	75,256	69,198
Other employee future benefits (note 6)	63,961	59,502
Vacation accrual	4,407	4,981
Interest accrual on long term debt	9,108	8,555
	<u>152,732</u>	<u>142,236</u>
Total amount to be recovered in future years	<u>\$629,040</u>	<u>\$580,237</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 9: EXPENDITURES BY OBJECT

The following is a summary of the current and capital expenditures reported on the Consolidated Statement of Financial Activities by object:

	<u>Budget</u> (Unaudited)	<u>2007</u>	<u>2006</u>
Salaries and wages	\$795,468	\$831,608	\$751,533
Employee benefits	116,487	133,250	113,726
Staff development	2,661	2,637	7,592
Supplies and services	75,174	77,877	82,304
Replacement furniture and equipment	1,605	1,409	1,778
Interest	31,766	27,124	19,043
Rental expenditures	751	3,513	2,650
Fees and contract services	48,493	59,732	59,992
School fundraising	37,000	34,837	35,643
Other	3,700	2,922	2,872
Capital expenditures	205,364	216,815	221,616
Total	<u>\$1,318,649</u>	<u>\$1,391,724</u>	<u>\$1,298,749</u>

NOTE 10: CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES

Contractual obligations and holdbacks for the construction of buildings, which are not reflected on the Consolidated Statement of Financial Position, amounted to approximately \$52,960 (2006 - \$24,640). 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.

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 3.

The Board self insures for staff life insurance and health and dental benefits which are administered by Sun Life of Canada. As at August 31, there was a liability for claims or unreported claims for life insurance of \$894 (2006 surplus -\$600). As at August 31, 2007 there was a liability for the health and dental benefits of \$121 (2006 surplus - \$149). These liabilities (surplus) are included in accounts payable and accrued liabilities (accounts receivable) on the Consolidated Statement of Financial Position. The surplus funds in 2006 were being held by Sun Life of Canada.

The Board is negotiating the settlement of a dispute arising from the purchase of a property used for a school site, which has been estimated at \$1,750. This amount is included in the accrued liabilities of the Board. The outcome of the settlement will be recorded when the dispute is resolved.

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.

The minimum rentals payable under long-term leases in effect at August 31, 2007 for premises and equipment leases are as follows:

	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>Total</u>
Rental commitment	\$ 1,923	\$1,084	\$1,043	\$ 634	\$ 4,684
Equipment lease commitment	2,788	2,788	929	-	6,505
Total commitment	<u>\$ 4,711</u>	<u>\$ 3,872</u>	<u>\$1,972</u>	<u>\$ 634</u>	<u>\$11,189</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 11: INTERNALLY RESTRICTED RESERVE

The following transfers to (from) reserves occurred during the year:

	<u>2007</u>	<u>2006</u>
Retirement Gratuity Reserve	\$ -	\$1,000
Cafeteria Repair Reserve	261	214
Working Fund Reserve	(6,375)	408
Aging School Reserve	-	(331)
Insurance Claim Reserve	(894)	(260)
Cafeteria repairs	(132)	(105)
Coca Cola Reserve	685	-
Total transfers to (from) Operating fund	<u>\$(6,455)</u>	<u>\$ 926</u>

NOTE 12: EDUCATIONAL DEVELOPMENT CHARGE RESERVE

Effective September 2004, 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 collected by the municipalities are forwarded to the school boards monthly. During the year, \$13,089 (2006 - \$10,658) was received for the Educational Development Charge and used for the purchase of sites.

NOTE 13: CONTROLLED ENTITIES

As disclosed in Note 2 (a), the Board controls CET and CET International Inc. (both of which are not-for-profit organizations, the former incorporated without share capital and the latter incorporated with share capital, both under the Corporations Act (Ontario) and exempt under the Income Tax Act (Canada)), and Halton Business Institute Inc. (a for profit organization, incorporated under the Canada Business Corporations Act), (collectively "the controlled entities"). The purpose of the controlled entities is the development, support, implementation and advancement of community education and training programs.

The financial information of the controlled entities included in these consolidated financial statements as at and for the year ended August 31 indicates the following:

	<u>2007</u>	<u>2006</u>		<u>2007</u>	<u>2006</u>
Total assets	\$ 3,842	\$ 3,128	Revenue	\$17,621	\$16,601
Total liabilities	7,102	5,321	Expenditures	19,835	19,135
Net assets	<u>\$(3,260)</u>	<u>\$(2,193)</u>	Net (loss)	<u>\$(2,214)</u>	<u>\$(2,534)</u>

NOTE 14: TRUST FUNDS

The Board manages trust funds in the amount of \$1,155 (2006 - \$1,038), which belong to different schools and departments within the Board. 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 consolidated financial statements.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2007

(all amounts in thousands of dollars)

NOTE 15: 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 for property damage, boiler and machinery coverage and crime coverage. Automobile and general liability coverage is provided by a public broker.

NOTE 16: RESTATEMENT OF 2006 FIGURES

During 2007, it was determined that WSIB future benefit costs were accounted for on a cash basis and that balances due from schools were not eliminated on consolidation of the School Activities. The 2006 Consolidated Financial Statements have been restated to accrue the estimated costs of \$8,449 for worker's compensation obligations that arise from specific events that have occurred and to eliminate the balances due from schools of \$107 on consolidation. The cumulative effect of the restatement resulted in a decrease in the net consolidated financial position of \$8,342 as at August 31, 2006 and a decrease in the consolidated net expenditure of \$374 for the year then ended.