

Financial statements of

**LESTER B. PEARSON SCHOOL BOARD /
COMMISSION SCOLAIRE LESTER B.
PEARSON**

June 30, 2009

LESTER B. PEARSON SCHOOL BOARD

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As of July 1st 2008, all school boards in Quebec adopted generally accepted accounting principles (GAAP) for the public sector established by the Public Sector Accounting Board. The accumulated surplus of the preceding year was restated in order to be in conformity with generally accepted accounting principles adopted for the current year. However, the figures corresponding to the previous year have not been adjusted and are not presented in the financial statements due to the difficulty in comparing prior years with the 2008-2009 statements which conform to GAAP. The Minister of Education has recommended recording these changes in note 4 of the School Boards financial statements.

Auditors' report

To the Council of Commissioners of
Lester B. Pearson School Board

We have audited the balance sheet of Lester B. Pearson School Board as at June 30, 2009 and the statement of revenues and expenditures and statement of accumulated surplus (deficit) for the year then ended. These financial statements are the responsibility of the School 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 School Board as at June 30, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles for the public sector.

The financial statements are presented in the same format as in the annual financial report prepared for the Ministère de l'Éducation, du Loisir et du Sport du Québec as the prescribed format does not include comparative figures. Furthermore, a cash flow statement has not been prepared.

We have also expressed an opinion without reservation on the financial statements included in the annual financial report presented in the prescribed format as required by the Ministère de l'Éducation, du Loisir et du Sport du Québec.

Samson Bélaïr / Deloitte & Touche s.e.n.c.r.l.¹

November 26, 2009

¹Chartered accountant auditor permit no 13852

Commission scolaire Lester B. Pearson School Board



Statement of financial position as of June 30, 2009

Financial assets

Cash	12,618,697
Operating grants receivable	16,458,561
Accounts receivable	3,651,300

Total financial assets 32,728,558

Liabilities

Deferred income	2,559,674
Accounts payable and accrued liabilities	
Comité de gestion de la taxe scolaire de l'île de Mtl (CGTSIM)	28,855,728
Provisions for payroll benefits	12,728,307
Other	25,992,380

Other liabilities

Long term debt - grant agreement (CGTSIM)	131,612,450
Financial intermediary for MELS expenses	227,984

Total liabilities 201,976,523

Net financial assets (net of debt) -169,247,965

Non-financial assets

Property and equipment	151,218,243
Prepaid expenses	793,392

Total non-financial assets 152,011,635

Accumulated surplus (deficit) \$ (17,236,330)

The accompanying notes are an integral part of the financial statements

Commission scolaire Lester B. Pearson School Board



Income statement and accumulated surplus (deficit) for the period ending June 30, 2009

Revenues	
MELS operating grants	\$ 152,328,761
School taxes	\$ 57,253,839
Other operating revenues	\$ 31,332,000
Transportation grants	\$ 3,721,541
Total revenues	\$ 244,636,141
Expenditures	
Teaching services	\$ 117,679,764
Educational support	\$ 53,718,778
Extracurricular activities	\$ 10,361,917
Transportation	\$ 12,029,918
Administrative activities	\$ 11,923,434
Energy	\$ 6,170,938
Amortization of property and equipment	\$ 9,145,496
Maintenance and caretaking	\$ 13,117,372
Finance	\$ 781,089
Subsidized schools in the public interest	\$ 5,571,164
Other	\$ 3,482,625
Total expenditures	\$ 243,982,495
Net results	\$ 653,646
Accumulated surplus (deficit), beginning of the year	\$ 7,042,497
Adjustments to opening balance	\$ (24,932,473)
Accumulated surplus (deficit), end of year	\$ (17,236,330)

The accompanying notes are an integral part of the financial statements

Commission scolaire Lester B. Pearson School Board



Supplementary notes to the Financial Statements

Balance sheet details as of June 30, 2009

\$

Operating grants receivables

Operating grant - youth, adults and vocational education	15,702,352
Loan service grant	23,670
Transportation grants	212,443
Other Grants	520,096
	<u><u>16,458,561</u></u>

Account Receivables

Sabbatical leave	290,892
Sales tax receivable	1,334,876
Trade accounts receivable	2,030,533
Allowance for doubtful accounts	-5,001
	<u><u>3,651,300</u></u>

Deferred income

Deferred contributions related to the acquisition of capital fixed assets	1,153,221
Special purpose fund (fond à destination spéciales)	489,089
General deferred income and foreign exchange students	917,364
	<u><u>2,559,674</u></u>

Provisions for future payroll fringe benefits

Sick leave (excluding employer contributions)	5,299,952
Vacation (excluding employer contributions)	5,305,723
Accumulated overtime	209,167
Severance indemnity	465,136
Employer contributions	1,448,329
	<u><u>12,728,307</u></u>

Accounts payable and accruals

Accrued payroll, deductions at the source and fringe benefits	16,014,553
Trade accounts payable	7,989,801
Contract hold-backs	1,087,912
Sabbatical leave	900,114
	<u><u>25,992,380</u></u>

Commission scolaire Lester B. Pearson School Board



Breakdown of operating expenditures for the period ending June 30th, 2009

	Expenses
Teaching services	
Kindergarten	6,970,877
Elementary	46,037,073
Secondary	44,134,590
Technical vocational	10,625,149
Educational intervention	5,863,918
Adult Ed	4,048,157
Total	117,679,764
Educational support	
Management of Schools & Centres	17,659,448
Educational materials	3,013,186
Complementary services	23,974,879
Pedagogical services	5,236,755
Animation & ped services	3,834,510
Total	53,718,778
Extracurricular activities	
Living allocation	784,724
Food services	576,572
Transportation	12,029,919
Daycare	9,000,620
Total	22,391,835
Administrative activities	
Council of Commissioners & Governing Boards	350,990
Elections	46,862
Management	7,619,900
Corporate services	3,112,411
Professional development	793,271
Total	11,923,434
Maintenance & caretaking	
Furniture and equipment	170,032
Amortization of furniture and equipment	5,284,386
Amortization of buildings	3,861,110
Building upkeep	3,572,485
Building Improvements-not capitalized	353,245
Caretaking services	8,154,249
Energy	6,170,938
Rental	32,893
Computer development- not captiialized	409,576
Security	424,892
Total	28,433,806
Other	
Interest charges	781,089
Special projects	1,370,716
Subsidized schools in the public interest	5,571,164
Retroactivity	179,787
Job security	0
Loan of service	787,787
Miscellaneous	1,144,335
Total	9,834,878
GRAND TOTAL	243,982,495

LESTER B. PEARSON SCHOOL BOARD / COMMISSION SCOLAIRE LESTER B. PEARSON

Notes to the financial statements

June 30, 2009

1. Description of the School Board

The Lester B. Pearson School Board ("School Board") was constituted as a linguistic school board under the provisions of the *Education Act*.

The School Board is classified as a not-for-profit organization under Section 149 of the *Income Tax Act* and as such is exempt from income taxes.

2. Significant accounting policies

These financial statements have been prepared in accordance with the generally accepted accounting principles for the public sector established by the Public Sector Accounting Board. The information included in the financial statements is, where required, based on best judgment and estimates.

Accounting basis

Revenues and expenditures are recorded on the accrual basis of accounting. Revenues are recognized as they are earned and measurable. Expenditures are equivalent to the cost of goods and services acquired during the period, regardless of whether or not a payment was made, or whether or not invoices have been received.

Financial assets

Receivables are initially recorded at cost and reduced to net realizable value by recording an allowance for doubtful accounts. The annual variation of this allowance is charged to expenses.

Liabilities

Deferred revenues

Amounts received that relate to revenues which will be earned in a subsequent year are recorded as deferred revenues and presented in liabilities.

Revenues may be recorded as deferred revenues if all of the following conditions are met:

- there is little if any discretionary authority to the School Board as to the use of the transferred resources;
- there is little if any discretionary authority to the School Board as to period of time during which the amounts received must be used or consumed;
- accountability clauses which require the continuous monitoring of execution and which provide for consequences, such as reimbursement of transferred resources, in the event of non-compliance with the conditions of transfer.

**LESTER B. PEARSON SCHOOL BOARD /
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Notes to the financial statements
June 30, 2009

2. Significant accounting policies (continued)

Liabilities (continued)

Vacation and sick leaves

Obligations resulting from sick leaves and vacations due to employees are recorded as liabilities. The annual variation in this account is charged to expenditures.

Indebtedness

Long-term debts are recorded at the received amount at the time of issuance. Long-term debt issue costs are recorded as expenditures.

Non-financial assets

Capital assets

Capital assets are non-financial assets which are acquired, constructed, developed or improved, for which the expected life extends beyond the fiscal year, and which are destined to be used in a sustained fashion in the production of goods or the rendering of services.

Capital assets are recorded at cost. With the exception of land, the cost of capital assets is amortized according to the straight-line method on the following useful lives:

Land improvements	10 and 20 years
Buildings and major building improvements	25 to 50 years
Material and equipment	3 to 15 years
Specialized equipment	10 years
Pedagogical textbooks - initial purchases	5 years

The cost of capital assets acquired by virtue of a capital lease contract is equal to the present value of payments owed.

Capital assets which are in the process of construction or in development are not subject to amortization prior to being put into service.

Capital assets acquired by donation or at a nominal value are recorded at fair market value at the time of acquisition with an equivalent amount recorded in liabilities as deferred revenue with both charged to operating results according to the same amortization method and for the same duration as the related capital assets.

Amounts received from organizations are recorded in liabilities as deferred revenue and are charged to operating results according to the same amortization method and for the same duration as the related capital assets. Donations of land are recognized in the year received.

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Notes to the financial statements
June 30, 2009

2. Significant accounting policies (continued)

Non-financial assets (continued)

Prepaid expenses

Prepaid expenses are disbursements before the end of the fiscal year for services that will benefit the School Board during the course of the following fiscal year(s). These expenses will be charged to expenditures at the time that the School Board benefits from the acquired services.

3. Use of estimates

In preparing financial statements, the School Board is required to make estimates and assumptions to evaluate and record certain types of assets, liabilities, revenue, and expenditures. The School Board must use its best judgment to formulate these estimates, based on the most reliable data and most likely hypotheses available at the time.

Estimates, by their nature, involve measurement uncertainty. Actual results could therefore differ from these estimates.

4. Accounting changes

As of July 1, 2008, the School Board adopted generally accepted accounting principles for the public sector established by the Public Sector Accounting Board. The accumulated surplus of the preceding year was restated in order to be in conformity with generally accepted accounting principles adopted for the current year. However, the figures corresponding to the previous year have not been adjusted and are not presented in the financial statements.

Principal changes having an impact on the accumulated surplus at June 30, 2008:

- Obligations arising from sick leave and vacations were recorded as liabilities on School Board statements;
- Elimination of liabilities that do not meet the criteria of deferred revenues;
- Establishment of the cost of capital assets acquired prior to July 1, 2008. The cost of capital assets has been calculated based on the costs recorded in the 1991 to 2008 financial statements. When the information was available, the actual costs were attributed to a capital asset. The residual costs were attributed to capital assets for which the actual cost could not be calculated on a pro-rated municipal value basis;
- Recognition of accumulated amortization on capital assets acquired prior to July 1, 2008;
- Elimination of permanent capital.

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Notes to the financial statements
June 30, 2009

4. Accounting changes (continued)

A summary of the impact of the principal changes on the accumulated surplus (deficit) at June 30, 2008 appears below.

	Impact on the accumulated surplus as at June 30, 2008
Record the obligations related to sick leave, vacations and severance payments	(\$12,040,013)
Eliminate liabilities that do not meet the criteria of deferred revenues	\$2,106,294
Record the cost of capital assets acquired prior to July 1, 2008	(\$140,962,302)
Record accumulated depreciation for capital assets acquired prior to July 1, 2008	(\$149,466,881)
Eliminate permanent capital	\$394,517,460
Record long-term debt attributed to the School Board by the Comité de gestion de la taxe scolaire de l'île de Montréal	(\$120,677,549)
Record land at fair value	\$1,590,518
Net adjustment	(\$24,932,473)

5. Reversal of accumulated deficit

The deficit accumulated at June 30, 2009 will be offset by transfers from the Government of Québec within the framework of the application of section 30 of the *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform* (2009, c. 38) assented in September 2009, and which authorizes the government to take the sums required out of the consolidated revenue fund.

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Notes to the financial statements
June 30, 2009

6. Capital assets

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Land	12,534,055	-	12,534,055
Land improvements	775,746	11,250	764,496
Buildings	245,120,714	137,503,923	107,616,791
Major building improvements	13,300,497	153,647	13,146,850
Material and equipment	30,302,469	15,732,845	14,569,624
Specialized equipment	1,557,196	55,558	1,501,638
Pedagogical textbooks - initial purchases	1,212,634	127,845	1,084,789
	304,803,311	153,585,068	151,218,243

7. Contractual obligations

The School Board's contractual obligations include the following:

- a) An amount of \$21,650,176 for construction and renovation contracts to be carried out in 2009-10;
- b) An amount of \$853,496 (excluding sales taxes) for photocopier lease agreements maturing at various dates through to 2013-14. Payments over the next five years are as follows: \$365,113 in 2010, \$252,444 in 2011, \$171,938 in 2012, \$48,055 in 2013 and \$15,946 in 2014;
- c) An amount of \$10,336,522 (excluding sales taxes) for school transportation contracts for the 2009-2010 year. This amount is indexed to the cost of inflation annually;
- d) An amount of \$467,805 for professional development;
- e) An amount of \$633,561 for student teacher apprenticeship programs.

8. Contingencies

A lawsuit in the amount of approximately \$450,000 has been filed against the School Board by a contractor. A professional from the project is also part of this class action. Should a decision be rendered against the School Board, the amount of the damages may have to be shared with the professional's insurer. The settlement of this lawsuit is not yet foreseeable and no provision has been recorded in the financial statements.

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Notes to the financial statements

June 30, 2009

8. Contingencies (continued)

Claims have been instituted against the Board by teachers for various grievances. Should these grievances be granted, the School Board estimates that its potential liability would amount to \$100,000. No provision has been recorded in the financial statements.

Any potential remittance resulting from the resolution of these of these contingencies will be charged against the accumulated surplus (deficit) of the current year.

9. Related party transactions

In addition to related party transactions already disclosed in the financial statements and recorded at the exchange amount, the School Board is related to all the ministries and special funds as well as with all of the organizations and enterprises directly or indirectly controlled by the government of Quebec or subject to either joint control or to significant common influence on the part of the government of Quebec. The School Board has not concluded any commercial transaction with these related parties other than in the normal course of its activities and normal commercial conditions. These transactions are not disclosed in the financial statements.