

*Financial statements of*

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

*June 30, 2010*

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

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## Auditors' report

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

Tel: 514-393-7115  
Fax: 514-390-4116  
www.deloitte.ca

We have audited the statement of financial position of Lester B. Pearson School Board as at June 30, 2010 and the statements of revenues and expenditures, accumulated surplus, cash flows and variation of financial assets 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.

For the year ended June 30, 2010, the School Board recorded, as mentioned in Note 4, as a restatement affecting the prior year's statement of surplus, a financing grant for an amount of \$39,872,532 authorized by decree in March 2010. In accordance with Canadian generally accepted accounting principles for the public sector, this grant should have been recorded as increase of accumulated surplus for the year ended June 30, 2010. If this transaction was recorded in accordance with Canadian generally accepted accounting principles for the public sector, the increase of accumulated surplus of the year ended June 30, 2010 would have increased by \$39,872,532 in the statement of accumulated surplus. Consequently, the restatement affecting prior years in the statement of accumulated surplus should have decreased by the same amount. Therefore, the comparative financial statements for the year ended June 30, 2009 should not have been restated for this financing grant.

In our opinion, with the exception of the restatement described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the School Board as at June 30, 2010 and the results of its operations, its cash flow and variation of financial assets for the year then ended in accordance with Canadian generally accepted accounting principles.

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 for the cash flow statement, as mentioned in Note 2.

We have also expressed an opinion with 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.<sup>1</sup>*

October 8, 2010

<sup>1</sup> Chartered accountant auditor permit no 13852

# Commission scolaire Lester B. Pearson School Board



## Statement of financial position as of June 30th

	2010	2009 (restated)
<b>Financial assets</b>	\$	\$
Cash	11,872,229	12,618,697
Operating grants receivable	14,905,993	16,458,561
Financing grants receivable (Note 4)	45,506,868	42,834,989
Accounts receivable	4,300,001	3,651,300
<b>Total financial assets</b>	<b>76,585,091</b>	<b>75,563,547</b>
<b>Liabilities</b>		
Deferred income	6,309,570	2,559,674
Accounts payable and accrued liabilities:		
Comité de gestion de la taxe scolaire de L'île de Mtl (CGTSIM)	35,135,465	28,855,728
Provision for payroll benefits	12,836,340	12,728,307
Other	21,557,772	25,992,380
Other liabilities		
Long-term debt - grant agreement (CGTSIM)	137,864,299	131,160,320
Financial intermediary for MELS expenses	-	227,984
<b>Total liabilities</b>	<b>213,703,446</b>	<b>201,524,393</b>
<b>Net financial assets (net of debt)</b>	<b>-137,118,355</b>	<b>-125,960,846</b>
<b>Non-financial assets</b>		
Capital assets	167,532,345	151,218,243
Prepaid expenses	2,053,010	793,392
<b>Total non-financial assets</b>	<b>169,585,355</b>	<b>152,011,635</b>
<b>Accumulated surplus</b>	<b>\$ 32,467,000</b>	<b>\$ 26,050,789</b>

The accompanying notes are an integral part of the financial statements

# Commission scolaire Lester B. Pearson School Board



## Statement of revenues and expenditures for the year ended June 30th

	2010	2009
		(restated)
	\$	\$
<b>Revenues</b>		
MELS operating grants	154,998,084	152,328,761
School taxes	58,005,258	57,253,839
Other operating revenues	32,225,751	31,320,703
Transportation grants	3,788,423	3,721,541
Gain on disposal of capital assets	1,785,607	0
<b>Total revenues</b>	<b>250,803,123</b>	<b>244,624,844</b>
<b>Expenditures</b>		
Teaching services	119,220,466	117,679,764
Educational support	54,709,685	53,718,778
Extracurricular activities	10,472,308	10,361,917
Transportation	12,215,320	12,029,918
Administrative activities	12,126,130	11,923,434
Energy	5,499,792	6,170,938
Amortization of capital assets	10,381,626	9,145,496
Maintenance and caretaking	13,619,423	13,117,372
Financing costs	207,416	781,089
Subsidized schools in the public interest	6,067,369	5,571,164
Other	2,539,256	3,482,625
<b>Total expenditures</b>	<b>247,058,791</b>	<b>243,982,495</b>
 <b>Results before financing grant variations</b>	 <b>3,744,332</b>	 <b>642,349</b>
 <b>Financing grant receivable variation</b>	 <b>2,671,879</b>	 <b>2,962,457</b>
 <b>Net results</b>	 <b>6,416,211</b>	 <b>3,604,806</b>

The accompanying notes are an integral part of the financial statements



**Statement of accumulated surplus for the year ended June 30th**

	<b>2010</b>	<b>2009</b>
	\$	(restated) \$
Accumulated deficit - beginning of the year (before restatements)	-17,236,330	-17,889,976
Prior years' restatements (Note 4) :		
Financing grants receivable		
Capital assets	30,495,266	27,532,809
Provision for payroll benefits	12,339,723	12,339,723
Long-term debt- CGTSIM	452,130	463,427
	<u>43,287,119</u>	<u>40,335,959</u>
Accumulated surplus - beginning of the year (restated)	<u>26,050,789</u>	<u>22,445,983</u>
Net results of the year	6,416,211	3,604,806
Accumulated surplus - end of the year	<u><u>32,467,000</u></u>	<u><u>26,050,789</u></u>



**Statement of cash flows for the year ended June 30th, 2010**

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**Cash flow from operating activities**

Net results \$  
**6,416,211**

**Non-cash item**

Allowance for doubtful accounts -1,479

**Change in working capital items**

Provision for payroll benefits 108,033

Prepaid expenses -1,259,618

Deferred income 3,749,896

Amortization of capital assets 10,381,626

Gain on disposal of capital assets -1,785,607

Operating financial assets & liabilities 6,554,591

**Cash flow from operating activities** **24,163,653**

**Cash flow from investing activities**

Capital asset purchases -26,913,121

Proceeds on disposal of capital assets 2,003,000

**Cash flow from investing activities** **-24,910,121**

**Net change in cash**

-746,468

Beginning cash balance **12,618,697**

**Ending cash balance** **11,872,229**



**Statement of variation of financial assets for the year ended June 30th, 2010**

	\$
Net financial assets (net of debt) - beginning of the year (before restatements)	-169,247,965
Prior year restatements:	
Financing grants receivable	
Capital assets	30,495,266
Provision for payroll benefits	12,339,723
Long-term debt- CGTSIM	<u>452,130</u>
	43,287,119
Net financial assets restated	-125,960,846
Net results of the year	<u>6,416,211</u>
Variations due to capital assets:	
Capital asset purchases	-26,913,121
Amortization	10,381,626
Gain on disposal of capital assets	-1,785,607
Proceeds on disposal of capital assets	<u>2,003,000</u>
	-16,314,102
Variation due to prepaid expenses	-1,259,618
Decrease net of financial assets	-11,157,509
Net financial assets (net of debt) at the end of the year	-137,118,355



# Commission scolaire Lester B. Pearson School Board



## Supplementary notes to the financial statements

### Balance sheet details as of June 30th

	2010	2009 (restated)
	\$	\$
<b>Operating grants receivables</b>		
Operating grant - youth, adult and vocational education	14,406,877	15,702,352
Debt service grant	-47,045	23,670
Transportation grants	-30,746	212,443
Other grants	576,907	520,096
	<u>14,905,993</u>	<u>16,458,561</u>
<b>Financing grants receivable</b>		
Capital assets		
Before July 1, 2008 start-up date	28,937,573	28,985,111
After July 1, 2008 start-up date	4,229,572	1,510,155
Provision for payroll benefits	12,339,723	12,339,723
	<u>45,506,868</u>	<u>42,834,989</u>
<b>Accounts receivable</b>		
Sabbatical leave	212,245	290,892
Sales tax receivable	960,556	1,334,876
Trade accounts receivable	1,884,444	2,030,533
Heritage Canada	1,246,278	0
Allowance for doubtful accounts	-3,522	-5,001
	<u>4,300,001</u>	<u>3,651,300</u>
<b>Deferred income</b>		
Deferred contributions related to the acquisition of capital assets	3,998,063	1,153,221
Special purpose fund (fond à destination spéciale)	427,317	489,089
General deferred income and foreign students	1,443,775	917,364
Entente - Canada, Québec	410,307	0
Provision - Professional development	30,108	0
	<u>6,309,570</u>	<u>2,559,674</u>
<b>Provision for payroll benefits</b>		
Sick leave (excluding employer contributions)	5,472,450	5,299,952
Vacation (excluding employer contributions)	5,364,188	5,305,723
Accumulated overtime	229,174	209,167
Severance indemnity	452,980	465,136
Employer contributions	1,317,548	1,448,329
	<u>12,836,340</u>	<u>12,728,307</u>
<b>Other accounts payable and accrued liabilities</b>		
Accrued payroll, deductions at the source and fringe benefits	15,411,122	17,251,159
Trade accounts payable	4,147,086	6,753,195
Contract hold-backs	1,067,553	1,087,912
Sabbatical leave	932,011	900,114
	<u>21,557,772</u>	<u>25,992,380</u>

## Commission scolaire Lester B. Pearson School Board



### Breakdown of operating expenditures for the period ended June 30th

	2010	2009 (restated)
<b>Teaching services</b>	<b>\$</b>	<b>\$</b>
Kindergarten	7,662,305	6,970,877
Elementary	45,084,228	46,037,073
Secondary	43,760,659	44,134,590
Technical vocational	12,098,919	10,625,149
Educational intervention	6,221,462	5,863,918
Adult Ed	4,392,893	4,048,157
<b>Total</b>	<b>119,220,466</b>	<b>117,679,764</b>
<b>Educational support</b>		
Management of Schools & Centres	17,916,392	17,659,448
Educational materials	3,075,122	3,013,186
Complementary services	25,847,810	23,974,879
Pedagogical services	4,613,075	5,236,755
Animation & ped services	3,257,286	3,834,510
<b>Total</b>	<b>54,709,685</b>	<b>53,718,778</b>
<b>Extracurricular activities</b>		
Living allocation	842,937	784,725
Food services	538,350	576,572
Transportation	12,215,320	12,029,918
Daycare	9,091,021	9,000,620
<b>Total</b>	<b>22,687,628</b>	<b>22,391,835</b>
<b>Administrative activities</b>		
Council of Commissioners	321,460	322,344
Governing Board/ Parents Committees and Election	42,286	75,508
Management	7,653,453	7,619,900
Corporate services	3,350,327	3,112,411
Professional development	758,604	793,271
<b>Total</b>	<b>12,126,130</b>	<b>11,923,434</b>
<b>Maintenance &amp; caretaking</b>		
Furniture and equipment	211,649	170,032
Amortization of furniture and equipment	6,083,851	5,284,386
Amortization of buildings	4,297,775	3,861,110
Building upkeep	4,210,329	3,572,485
Building Improvements-not capitalized	0	353,245
Caretaking services	8,188,215	8,154,249
Energy	5,499,792	6,170,938
Rental	32,982	32,893
Computer development- not capitalized	417,768	409,576
Security	558,480	424,892
<b>Total</b>	<b>29,500,841</b>	<b>28,433,806</b>
<b>Other</b>		
Interest charges	207,416	781,089
Special projects	1,342,743	1,370,716
Subsidized schools in the public interest	6,067,369	5,571,164
Retroactivity	130,042	179,787
Job security	30,000	-
Loan of service	535,048	787,787
Miscellaneous	501,423	1,144,335
<b>Total</b>	<b>8,814,041</b>	<b>9,834,878</b>
<b>GRAND TOTAL</b>	<b>247,058,791</b>	<b>243,982,495</b>

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

## Notes to the financial statements

June 30, 2010

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### 1. Description of the School Board

The Lester B. Pearson School Board (the "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 Canadian generally accepted accounting principles ("GAAP") for the public sector established by the Public Sector Accounting Board, with the exception of the cash flow statement and statement of variation of financial assets not presenting comparative figures.

#### *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, 2010**

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**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.

*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.

*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.

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

## Notes to the financial statements

June 30, 2010

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### 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

Effective July 1, 2009, the accounting policy regarding issue fees on long-term debt has been modified. These fees, which were previously recorded as an expense in the year incurred, are now deferred and amortized over the term of the debt. The accumulated deficit of the prior period has been restated to conform to accounting policies adopted in the current year. In addition, the comparative figures of the prior period have been restated and are included in the financial statements.

The result of these changes increased (or decreased) the following entries:

	<u>2010</u>	<u>2009</u>
	\$	\$
Long-term debt - grant agreement (CGTSIM)	-427,313	-452,130
Accumulated surplus and net financial assets at the beginning of the year	452,130	463,428

In September 2009 the government adopted the *Act to amend the Balanced Budget Act and various legislative provisions concerning the implementation of the accounting reform* (2010, c. 38). A component of this law grants the government the authority to absorb the accumulated deficits of School Boards.

On March 24, 2010, the government adopted decree # 258-2010, which authorizes the government to provide grants to school boards in order to cover the costs for certain expenses that were included in the accumulated deficit of April 1, 2008 due to the conversion to GAAP.

This decree determines the amount which is to be accounted for by school boards as of June 30, 2008 as grants receivable due to the accounting reform. These amounts have been accounted for in the financial statements for the year ending June 30, 2010 as prior year adjustments as required by the ministère de l'Éducation, du Loisir et du Sport du Québec. Prior year comparative figures have been restated and are included in the financial statements.

The sum required for these grants will be financed by the consolidated revenue fund.

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

**Notes to the financial statements**

**June 30, 2010**

**4. Accounting changes (continued)**

The net effect of these changes increased the following entries:

	<u>2010</u>	<u>2009</u>
	\$	\$
Financing grants receivable	<b>45,506,868</b>	42,834,989
Accumulated surplus and net financial assets at the beginning of the year	<b>42,834,989</b>	39,872,532

**5. Capital assets**

	<u>2010</u>		
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
	\$	\$	\$
Land	12,350,877	-	12,350,877
Land improvements	1,415,802	68,388	1,347,414
Buildings	246,169,867	140,647,644	105,522,223
Major building improvements	32,569,254	730,751	31,838,503
Material and equipment	29,627,010	17,612,152	12,014,858
Specialized equipment	2,058,554	224,937	1,833,617
Pedagogical textbooks - initial purchases	3,152,906	528,053	2,624,853
	<b>327,344,270</b>	<b>159,811,925</b>	<b>167,532,345</b>

	<u>2009</u>		
	<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
	<b>304,803,311</b>	<b>153,585,068</b>	<b>151,218,243</b>

Capital assets include fixed assets of \$3,940,708 (\$5,393,447 in 2009) in work in progress with \$63,724 (\$2,476,108 in 2009) in buildings, \$334,145 (\$225,714 in 2009) in land improvements and \$3,542,839 (\$2,691,625 in 2009) in major building improvements. No amortization has been taken on these fixed assets.

**LESTER B. PEARSON SCHOOL BOARD /  
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**Notes to the financial statements**  
**June 30, 2010**

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**6. Contractual obligations**

The School Board's contractual obligations include the following:

- a) An amount of \$17,640,318 for construction and renovation contracts to be carried out in 2010-2011;
- b) An amount of \$653,757 (excluding sales taxes) for photocopier lease agreements maturing at various dates through to 2014-15. Payments over the next five years are as follows: \$289,836 in 2011, \$204,392 in 2012, \$87,964 in 2013, \$53,064 in 2014 and \$18,501 in 2015;
- c) An amount of \$10,234,937 (excluding sales taxes) for school transportation contracts for the 2010-2011 year. This amount is indexed to the cost of inflation annually;
- d) An amount of \$453,372 for professional development, committed to by the School Board to conform to its various collective agreements.
- e) An amount of \$569,937 for student teacher apprenticeship programs.

**7. Contingencies**

A lawsuit in the amount of \$48,330 has been filed against the School Board and a contractor, by a sub contractor. The \$48,330 forms part of the holdback and is recorded in the financial statements.

*Environmental liability*

A recent study indicates that the School Board owns contaminated land. In compliance with environmental laws, the School Board could be required to decontaminate the land. The cost has been estimated at \$2,272,000. No liability has been recorded for this work as the Quebec government has indicated that they will assume the costs associated with decontamination and will record the estimated liability.

**8. 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.

**9. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.