

PEEL DISTRICT SCHOOL BOARD

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

AUDITORS' REPORT

To the Board of Trustees of the
Peel District School Board

We have audited the consolidated statement of financial position of **Peel District School Board** as at August 31, 2006 and the consolidated statements of financial activities 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. 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 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 we 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, 2006 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.

Toronto, Canada,
November 24, 2006.

Ernst & Young LLP

Chartered Accountants

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in thousands of dollars)

As at	AUGUST 31, 2006	AUGUST 31, 2005
		(Restated - note 20)
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 53,310	\$ 2,347
Accounts receivable	58,949	57,211
Cash from school activities	7,995	7,940
TOTAL FINANCIAL ASSETS	120,254	67,498
FINANCIAL LIABILITIES		
Temporary borrowing (note 4)	319	28,956
Accounts payable and accrued liabilities	100,390	73,036
Net debenture debt (note 5)	438,001	242,406
Deferred revenue - reserves (note 6)	3,196	3,935
Deferred revenue - other	1,226	9,873
Employee benefits payable (note 7)	120,251	116,118
TOTAL FINANCIAL LIABILITIES	663,383	474,324
NET FINANCIAL LIABILITIES	(543,129)	(406,826)
NON-FINANCIAL ASSETS		
Prepaid expenses (note 8)	25,638	23,483
TOTAL NON-FINANCIAL ASSETS	25,638	23,483
NET LIABILITIES	(517,491)	(383,343)
FINANCIAL POSITION		
Operating fund	-	-
Capital fund	19,169	(49,047)
Reserve fund	27,133	25,291
School activities fund	7,995	7,940
TOTAL FUND BALANCES	54,297	(15,816)
Amounts to be recovered (note 9)	(571,788)	(367,527)
NET FINANCIAL POSITION	\$ (517,491)	\$ (383,343)

See accompanying notes

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)

As at	AUGUST 31, 2006	AUGUST 31, 2005
		(Restated - note 20)
REVENUES		
Local taxation	\$ 458,238	\$ 432,678
Provincial grants	627,640	573,460
Federal grants	9,259	9,414
School fundraising	35,805	36,963
Investment income	3,171	2,193
Other revenue	28,706	32,997
TOTAL REVENUE	1,162,819	1,087,705
EXPENDITURES		
Instruction	836,361	762,677
Administration	29,944	25,526
Transportation	38,118	35,344
School operations and maintenance	109,326	103,170
Pupil accommodation	227,222	175,144
School fundraising	35,750	36,591
Other	22,402	23,257
TOTAL EXPENDITURES (note 10)	1,299,123	1,161,709
NET EXPENDITURE	(136,304)	(74,004)
Increase in prepaid expenses	2,155	1,755
INCREASE IN NON-FINANCIAL ASSETS	2,155	1,755
CHANGE IN NET LIABILITIES	(134,149)	(72,249)
FINANCING TRANSACTIONS		
Long term financing issued (note 5)	200,000	100,000
Debt repayments and sinking fund contributions (note 11)	(4,405)	(5,238)
Increase in unfunded liabilities	8,667	1,949
CHANGE IN AMOUNTS TO BE RECOVERED	204,262	96,711
CHANGE IN FUND BALANCES	70,113	24,462
Opening fund balances	(15,816)	(40,278)
CLOSING FUND BALANCES	\$ 54,297	\$ (15,816)

See accompanying notes

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(all amounts in thousands of dollars)

As at	AUGUST 31, 2006	AUGUST 31, 2005
OPERATIONS		
Net expenditure	\$ (136,304)	\$ (74,004)
SOURCES AND (USES)		
(Increase) in accounts receivable	(1,738)	(3,310)
Increase (Decrease) in accounts payable and accrued liabilities	27,355	(2,410)
(Decrease) in deferred revenue - reserves	(739)	(6,219)
(Decrease) Increase in deferred revenue - other	(8,647)	8,181
Increase (Decrease) in employee benefits payable	4,133	(14)
Net (decrease) in cash from operations	(115,940)	(77,776)
FINANCING		
Long term debt	200,000	100,000
Debt repaid and sinking fund contributions (note 11)	(4,405)	(5,238)
Net increase in cash from financing	195,595	94,762
CHANGE IN CASH AND CASH EQUIVALENTS	79,655	16,986
Opening cash and cash equivalents	(18,669)	(35,655)
CLOSING CASH AND CASH EQUIVALENTS	\$ 60,986	\$ (18,669)
See accompanying notes		
CLOSING CASH AND CASH EQUIVALENTS IS COMPRISED OF:		
Cash and cash equivalents	\$ 53,310	\$ 2,347
Cash from school activities	7,995	7,940
Temporary borrowing (note 4)	(319)	(28,956)
CLOSING CASH AND CASH EQUIVALENTS	\$ 60,986	\$ (18,669)

See accompanying notes

PEEL DISTRICT SCHOOL BOARD
CONSOLIDATED SCHEDULE OF OPERATING FUND

(all amounts in thousands of dollars)

As at	AUGUST 31, 2006	AUGUST 31, 2005
		(Restated - note 20)
REVENUES		
Local taxation	\$ 458,238	\$ 432,678
Provincial grants	627,640	573,460
Federal grants	9,259	9,414
Investment income	2,255	1,377
Other revenue	17,320	16,413
TOTAL REVENUES	1,114,712	1,033,342
EXPENDITURES		
Instruction	829,712	755,806
Administration	28,627	24,812
Transportation	38,118	35,344
School operations and maintenance	104,117	98,414
Pupil accommodation	19,172	18,872
Other	22,011	22,933
TOTAL EXPENDITURES	1,041,757	956,181
NET REVENUE	72,955	77,161
Increase in prepaid expenses	2,155	1,754
INCREASE IN NON-FINANCIAL ASSETS	2,155	1,754
Debt principal repayments and sinking fund contributions (note 11)	(4,405)	(5,238)
Increase in unfunded liabilities	8,667	1,949
CHANGE IN AMOUNTS TO BE RECOVERED	4,262	(3,289)
NET TRANSFER (TO) FROM OTHER FUNDS		
Transfers (to) Capital fund	(78,446)	(80,956)
Transfers (to) from Reserve fund (note 14)	(926)	5,330
NET TRANSFER (TO) OTHER FUNDS	(79,372)	(75,626)
CHANGE IN OPERATING FUND BALANCE	-	-
Opening balance - Operating fund	-	-
CLOSING FUND BALANCE - OPERATING FUND	\$ -	\$ -

See accompanying notes

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

(all amounts in thousands of dollars)

As at	AUGUST 31, 2006	AUGUST 31, 2005
REVENUES		
Education development charges (note 15)	\$ 10,658	\$ 16,584
Other	728	-
TOTAL REVENUES	11,386	16,584
CAPITAL EXPENDITURES		
Instruction	6,649	6,871
Administration	1,317	714
School operations and maintenance	5,209	4,756
Pupil accommodation	208,050	156,272
Other	391	324
TOTAL EXPENDITURES	221,616	168,937
NET EXPENDITURE	(210,230)	(152,353)
LONG TERM FINANCING (note 5)	200,000	100,000
NET TRANSFERS FROM OTHER FUNDS		
Transfers from Operating fund	78,446	80,956
NET TRANSFERS FROM OTHER FUNDS	78,446	80,956
CHANGE IN CAPITAL FUND BALANCE	68,216	28,603
Opening balance - Capital fund	(49,047)	(77,650)
CLOSING BALANCE - CAPITAL FUND	\$ 19,169	\$ (49,047)

See accompanying notes

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

(all amounts in thousands of dollars)

As at	AUGUST 31, 2006	AUGUST 31, 2005
		(Restated - note 20)
REVENUES		
Investment income	\$ 916	\$ 816
TOTAL REVENUES	916	816
NET TRANSFERS FROM (TO) OTHER FUNDS		
Transfers from (to) operations (note 14)	926	(5,330)
NET TRANSFERS FROM (TO) OTHER FUNDS	926	(5,330)
CHANGE IN RESERVE FUND BALANCE	1,842	(4,514)
Opening balance - Reserve fund	25,291	29,805
CLOSING BALANCE - RESERVE FUND	\$ 27,133	\$ 25,291

See accompanying notes

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

(all amounts in thousands of dollars)

As at	AUGUST 31, 2006	AUGUST 31, 2005
REVENUES		
School fundraising & other revenues	\$ 35,805	\$ 36,964
TOTAL REVENUES	35,805	36,964
EXPENDITURES		
School funded activities	35,750	36,591
TOTAL EXPENDITURES	35,750	36,591
CHANGE IN SCHOOL ACTIVITIES FUND BALANCE	55	373
Opening balance - School activities fund	7,940	7,567
CLOSING BALANCE - SCHOOL ACTIVITIES FUND	\$ 7,995	\$ 7,940

See accompanying notes

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(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.

The Quality Continuous Improvement Centre for Community Education and Training ("CET"), CET International Inc., and Halton Business Institute Inc., have been consolidated in the financial statements of the Board with the elimination of all inter entity/company transactions.

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, 2006

(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 revenues and expenditures during the reporting period. Actual results may vary from those estimates.

h) **Government Transfers**

Government transfers, which include legislative grants, are recognized in the consolidated financial statements in the period 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 a defined retirement plan as per note 3 and is self insured for future Workplace Safety Insurance. 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, 2006

(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 are reported as revenue in the period earned. Investment income earned on internally restricted funds such as retirement gratuities is added to the 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. (See notes 14 and 15)

l) **Adoption of Public Sector Accounting Recommendations**

Commencing in 2004, the Board has adopted generally accepted accounting principles applying the local government accounting standards issued by the PSAB of The Canadian Institute of Chartered Accountants.

NOTE 3: 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, 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.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(all amounts in thousands of dollars)

**NOTE 3: RETIREMENT ALLOWANCES AND EARLY RETIREMENT INCENTIVE PLAN
(continued)**

Retirement allowances and early retirement incentives paid were as follows:

	<u>2006</u>	<u>2005</u> (Restated - note 20)
Elementary staff	\$4,151	\$4,054
Secondary staff	2,633	2,743
Other staff	231	361
	<u>\$7,015</u>	<u>\$7,158</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 \$21,897 at the year end.

In 1995, the Board established a retirement gratuity reserve with an annual contribution of \$1,000 to fund the retirement gratuity liability for all new teachers hired since 1995. For the year ended August 31, 2006 the reserve earned interest at the rate of 5.5%. As at August 31, 2006, the reserve amounted to \$17,567 (2005 - \$15,651).

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 \$171 (2005 - \$302) pertaining to this plan.

NOTE 4: 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 \$319 (2005 - \$28,956) 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 (2005 - \$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>2006</u>	<u>2005</u>
Bank loans bearing interest at 2.86% to 2.93% per annum	\$ -	\$ 28,956
Bank indebtedness	319	-
Temporary borrowing	<u>\$ 319</u>	<u>\$ 28,956</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(all amounts in thousands of dollars)

NOTE 5: NET DEBENTURE DEBT

Debentures outstanding are held by the Ontario School Board Financing Corporation ("OSBFC"). These debentures and sinking funds mature in the fiscal years 2015 to 2031 and bear interest at rates ranging from 5.07% to 6.25%. During the year, the Board issued, through the OSBFC, a 25 year debenture in the amount of \$200,000 with an annual interest rate of 5.07%.

The principal balance outstanding at year end amounted to \$438,001 (2005 - \$242,406), of which \$140,950 (2005 - \$143,362) are sinking funds held by the OSBFC. The following payments will occur over the next five years and thereafter:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006-2007	\$ 8,268	\$ 24,756	\$ 33,024
2007-2008	8,596	24,428	33,024
2008-2009	8,942	24,083	33,025
2009-2010	9,306	23,719	33,025
2010-2011	9,689	23,336	33,025
Thereafter	<u>393,200</u>	<u>209,918</u>	<u>603,118</u>
	<u>\$ 438,001</u>	<u>\$330,240</u>	<u>\$ 768,241</u>

NOTE 6: 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 \$124 for school success, \$8 for special education expenditures and \$607 for proceeds of disposition were transferred to revenue.

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

	<u>2006</u>	<u>2005</u>
Proceeds of disposition	\$2,463	\$ 3,070
School success	733	857
Special education	-	8
	<u>\$ 3,196</u>	<u>\$ 3,935</u>

NOTE 7: EMPLOYEE BENEFITS PAYABLE

Employee benefits payable are comprised of employee future benefits relating to retirement benefit obligations and compensated absences.

	<u>2006</u>	<u>2005</u>
Retirement benefit and early retirement incentive obligations	\$72,110	\$69,094
Sick leave accrual	48,141	47,024
Total employee benefits payable	<u>\$120,251</u>	<u>\$116,118</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(all amounts in thousands of dollars)

NOTE 8: 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 by the end of August. This payroll and benefit expenditure has been recorded as a prepaid expense and will be charged to the 2006-2007 school year.

	<u>2006</u>	<u>2005</u>
Prepaid salaries and benefits	\$24,563	\$22,426
Other prepaids	1,075	1,057
Total prepaid expenses	<u>\$25,638</u>	<u>\$23,483</u>

NOTE 9: 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>2006</u>	<u>2005</u>
Capital outlay to be recovered in future years		
Net debenture debt	\$438,001	\$242,406
Amounts to be financed in future years		
Retirement and other employee future benefits	72,110	69,093
Sick leave accrual	48,141	47,024
Vacation accrual	4,981	4,140
Interest accrual	8,555	4,864
	<u>133,787</u>	<u>125,121</u>
Total amount to be recovered in future years	<u>\$571,788</u>	<u>\$367,527</u>

NOTE 10: 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>2006</u>	<u>2005</u>
		(Restated – note 20)
Salaries and wages	\$751,533	\$693,038
Employee benefits	113,993	100,887
Staff development	7,592	2,466
Supplies and services	82,304	75,746
Replacement furniture and equipment	1,778	2,078
Interest	19,043	13,736
Rental expenditures	2,650	2,446
Fees and contract services	59,992	62,761
School fundraising	35,750	36,591
Other	2,872	3,023
Capital expenditures	221,616	168,937
Total	<u>\$1,299,123</u>	<u>\$1,161,709</u>

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(all amounts in thousands of dollars)

NOTE 11: DEBT CHARGES AND CAPITAL LOAN INTEREST

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

	<u>2006</u>	<u>2005</u>
Principal payments on long-term liabilities including contribution to sinking funds	\$ 4,405	\$ 5,238
Interest payments on long-term liabilities	14,779	12,281
Interest payments on temporary financing of capital projects	996	28
	<u>\$20,180</u>	<u>\$17,547</u>

NOTE 12: PENSION PLAN COSTS

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer defined benefit contribution plan. The employer contributions for the year amounted to \$8,917 (2005 - \$7,086).

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.

NOTE 13: 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 \$24,640 (2005 - \$25,455). 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 4 to the consolidated financial statements.

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 surplus available for claims or unreported claims for life insurance of \$600 (2005 - \$550). As at August 31, 2006 there was a surplus for the health and dental benefits of \$149 (2005 - \$238). These amounts are included in accounts receivable on the Consolidated Statement of Financial Position. The funds are 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 school sites, which has been estimated at \$1,750. This amount is being held in trust and is included in the accrued liabilities of the Board. The outcome of the settlement will be recorded when the dispute is resolved.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(all amounts in thousands of dollars)

NOTE 13: CONTRACTUAL OBLIGATIONS AND CONTINGENT LIABILITIES (continued)

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, 2006 for field office space and Community Education programs are as follows:

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>Total</u>
Total rental commitment	\$ 2,069	\$ 1,832	\$ 1,131	\$ 758	\$ 96	\$ 5,886
Less: Recoverable from CET	1,333	1,142	1,011	664	-	4,150
Net rental commitment	<u>\$ 736</u>	<u>\$ 690</u>	<u>\$ 120</u>	<u>\$ 94</u>	<u>\$ 96</u>	<u>\$ 1,736</u>

NOTE 14: INTERNALLY RESTRICTED RESERVE

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

	<u>2006</u>	<u>2005</u>
		(Restated – note 20)
Retirement Gratuity Reserve	\$1,000	\$1,000
Cafeteria Repair Reserve	214	172
Working Fund Reserve	408	(1,137)
Aging School Reserve	(331)	-
Insurance Claim Reserve	(260)	-
Cafeteria repairs	(105)	(65)
Facility Renewal Reserve	-	(5,300)
Total transfers to (from) operations	<u>\$926</u>	<u>\$(5,330)</u>

NOTE 15: 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, \$10,658 (2005 - \$16,584) was received for the Educational Development Charge and used for the purchase of sites.

NOTE 16: 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 \$8,449 (2005 - \$8,716). These costs are recognized as they are paid out over the period of the pensions.

PEEL DISTRICT SCHOOL BOARD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2006

(all amounts in thousands of dollars)

NOTE 17: 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), 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>2006</u>	<u>2005</u>		<u>2006</u>	<u>2005</u>
Total assets	\$ 3,128	\$3,158	Revenue	\$16,601	\$19,365
Total liabilities	<u>5,321</u>	<u>2,817</u>	Expenditures	<u>19,135</u>	<u>20,502</u>
Net assets	<u>\$(2,193)</u>	<u>\$ 341</u>	Net (loss)	<u>\$(2,534)</u>	<u>\$(1,137)</u>

NOTE 18: UNREPORTED FUNDS

The Board manages trust funds in the amount of \$1,038 (2005 - \$1,010), 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.

NOTE 19: 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 20: COMPARATIVE BALANCES

Certain of the 2004–2005 Consolidated Financial Statements have been restated to conform to the 2005-2006 presentation. These changes relate to the consolidation of the results of the Quality Continuous Improvement Centre for Community Education & Training. In the past, the Board's surplus was transferred to the Working Fund reserve prior to consolidation. In the current year the Board's results have been consolidated with the controlled entity prior to transferring to the Working Fund Reserve. In compliance with the PSAB accounting standards, the comparative balances are restated to reflect this treatment.